



## Annual report 2021





## 2021 Annual report

Unless otherwise specified, references in this annual report to other documents, including but not limited to other reports and websites, including our own, are for information purposes only. The contents of such other documents and websites are not incorporated by reference in this annual report nor otherwise considered to be a part of it.

Unless the context requires otherwise, 'Banco Santander' means Banco Santander, S.A., and 'Santander', 'the Group' and 'Santander Group' mean Banco Santander, S.A. and subsidiaries.

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# 2021 consolidated directors' report

This report was approved unanimously by our board of directors on 24 February 2022

## Our approach to this document

We changed the layout of our consolidated directors' report in 2018 by including the contents previously provided in these documents which we ceased to prepare separately:

- Annual report
- Consolidated directors' report
- Annual corporate governance report (CNMV format document)
- Report of the board committees
- Sustainability report
- Annual report on our directors' remuneration (CNMV format document)

The consolidated directors' report also includes all information required by Spanish Act 11/2018 on non-financial information and diversity. It can be found in the ['Responsible banking'](#) chapter, which constitutes the consolidated non-financial information statement.

This report's format presents information more clearly, avoiding repetition and raising the level of disclosure.

## Auditors' reviews

As required by law, contents of our 2021 consolidated directors' report has been subjected to three types of reviews by our independent statutory auditors, PricewaterhouseCoopers Auditores, S.L., summarized as follows:

- PricewaterhouseCoopers Auditores, S.L. has verified that the information in this report is consistent with our consolidated financial statements, and that its contents comply with the applicable regulations. For more details, see 'Other information: Consolidated management report section of the ['Auditor's report'](#) within ['Auditor's report and consolidated annual accounts'](#).

- PricewaterhouseCoopers Auditores, S.L. has issued a verification report, with limited assurance, on the non-financial and diversity information required by Spanish Act 11/2018 included in this report. To read that report, see the ['Independent verification report'](#) in the ['Responsible banking'](#) chapter.
- PricewaterhouseCoopers Auditores, S.L. has issued an independent reasonable assurance report on the design and effectiveness of Banco Santander's internal control over financial reporting, found in section [8.6](#) of the ['Corporate governance'](#) chapter.

## Non-IFRS and alternative performance measures

This report contains, in addition to financial information prepared in accordance with International Financial Reporting Standards (IFRS) and derived from our consolidated financial statements, alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 and other non-IFRS measures. These financial measures that qualify as APMs and non-IFRS measures have been calculated with information from Santander Group; however, those financial measures are not defined or detailed in the applicable financial reporting framework nor have been audited or reviewed by our auditors.

We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS measures to be useful metrics for our management and investors to compare operating performance between accounting periods.

Nonetheless, these APMs and non-IFRS measures should be considered supplemental information to, and are not meant to substitute IFRS measures. Furthermore, companies in our industry and others may calculate or use APMs and non-IFRS measures differently, thus making them less useful for comparison purposes.

For more details on APMs and non-IFRS measures, see section 8 of the ['Economic and financial review'](#).

## Forward-looking statements

Banco Santander advises that this annual report contains "forward-looking statements" as per the meaning of the US Private Securities Litigation Reform Act of 1995. These statements may be identified by words like *expect, project, anticipate, should, intend, probability, risk, target, goal, objective, estimate, future* and similar expressions. Found throughout this report, they include (but are not limited to) statements on our future business development, economic performance and shareholder remuneration policy. However, a number of risks, uncertainties and other important factors may cause actual developments and results to differ materially from our expectations.

The following important factors, in addition to others discussed elsewhere in this annual report, could affect our future results and could cause materially different outcomes from those anticipated in forward-looking statements:

- general economic or industry conditions of areas where we have significant operations or investments (such as a worse economic environment; higher volatility in capital markets; inflation or deflation; changes in demographics, consumer spending, investment or saving habits; and the effects of the covid-19 pandemic on the global economy);
- exposure to various market risks (particularly interest rate risk, foreign exchange rate risk, equity price risk and risks associated with the replacement of benchmark indices);
- potential losses from early repayments on our loan and investment portfolio, declines in value of collateral securing our loan portfolio, and counterparty risk;

- political stability in Spain, the United Kingdom, other European countries, Latin America and the US;
- changes in legislation, regulations, taxes, including regulatory capital and liquidity requirements, especially in view of the UK exit of the European Union and increased regulation in response to financial crisis;
- our ability to integrate successfully our acquisitions and related challenges that result from the inherent diversion of management's focus and resources from other strategic opportunities and operational matters; and
- changes in our access to liquidity and funding on acceptable terms, in particular if resulting from credit spread shifts or downgrades in credit ratings for the entire group or significant subsidiaries.

Numerous factors could affect our future results and could cause those results deviating from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Our forward-looking statements speak only as at date of approval of this annual report and are informed by the knowledge, information and views available as at the date of this report. Banco Santander is not required to update or revise any forward-looking statements, regardless of new information, future events or otherwise.

## Past performance is not indicative of future results

Statements about historical performance or accretion must not be construed to indicate that future performance, share price or earnings (including earnings per share) in any future period will necessarily match or exceed those of any prior period. Nothing in this annual report should be taken as a profit forecast.

## XHTML electronic format and XBRL tags

This annual report has been prepared in eXtensible HyperText Markup Language (XHTML) format, and the consolidated financial statements it includes have been tagged with eXtensible Business Reporting Language (XBRL), in accordance with Directive 2004/109/EC and Commission Delegated Regulation (EU) 2019/815.

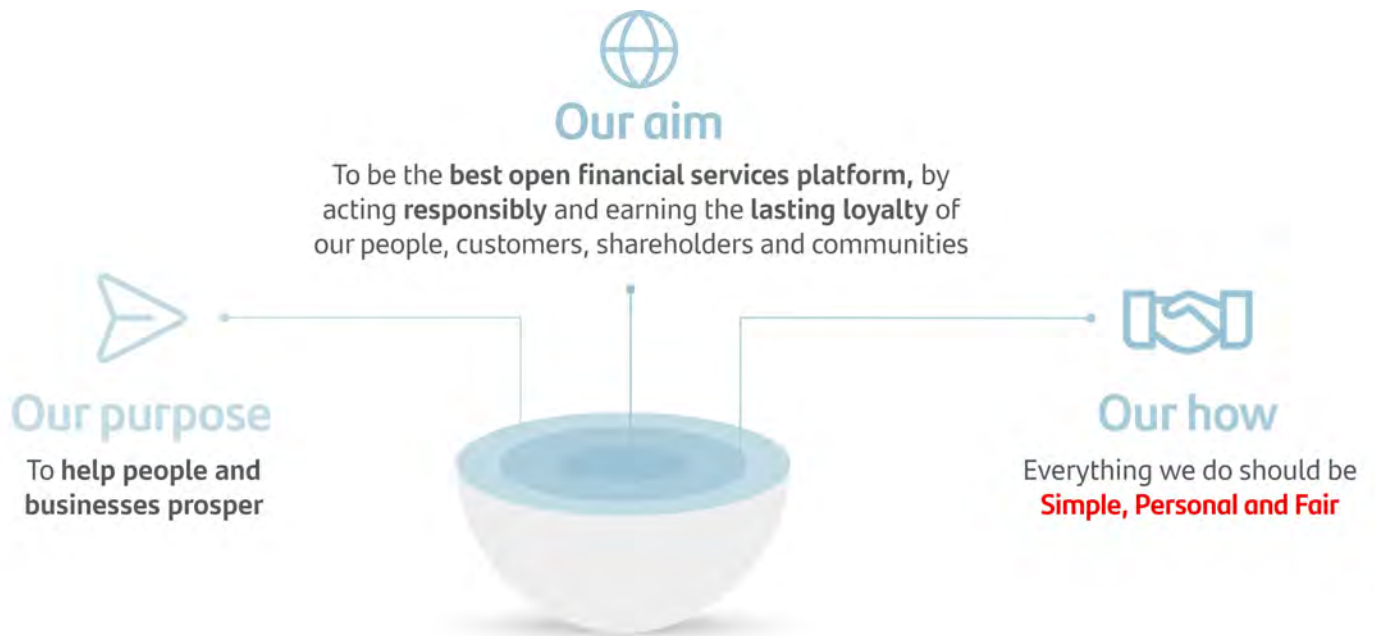
To view the XBRL tags, you must open this document using an appropriate viewer. You can find this document with an XBRL viewer on Banco Santander's corporate website.

## No offer

Neither this annual report nor any of the information contained herein constitutes an offer to sell, or the solicitation of an offer to buy, any securities.

# Business model and strategy

We follow **The Santander Way**:



For more information see the ['Responsible banking'](#) chapter.



# Our business model | Our customer focus, global scale and diversification are the foundations for generating value for our shareholders

## 01. Customer focus

Deepening the relationships with our customers through a simpler value proposition, superior customer experience and our digital proposition



- We have increased our number of customers over the last seven years, and notably in 2021, with balanced growth by region and business.
- Our aim is to further enhance our customers' experience and satisfaction.
- We also help a new generation of customers with new ways to interact with their finances, which is reflected in an increase in digitalization (54% digital sales / total sales in 2021).

**Total customers**

**153 mn**  
+5 mn in 2021  
+32 mn since 2015

**Top 3 Customer satisfaction<sup>A</sup>**

**8 countries**



A. NPS (Net Promoter Score) – Customer Satisfaction internal benchmark of individual customers' satisfaction audited by Stiga / Deloitte in H2'21.

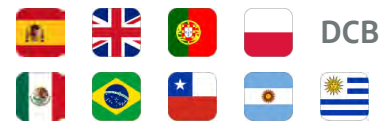
## 02. Our scale

Local scale and global reach



- Regional and global scale based on three geographic regions, where we maintain leadership positions in our core markets.
- Worldwide reach through our global businesses and PagoNxt, enabling greater collaboration across the Group to generate higher revenue and efficiencies.

**Top 3<sup>A</sup>**  
in 10 of our markets



A. Market share in lending as of Sep-21 including only privately-owned banks. UK benchmark only covers the mortgage market (source: central banks). Digital Consumer Bank (DCB) refers to auto financing market shares in the majority of our Europe footprint (source: information from local auto associations and market intelligence reported by SCF units).

## 03. Diversification

Our geographic and business diversification makes us more resilient under adverse circumstances



- We have a diversified geographical footprint which is well balanced between emerging and developed markets.
- Business diversification between customer segments (individuals, SMEs, mid-market companies and large corporates).
- This diversification remains a source of great strength and earnings stability.

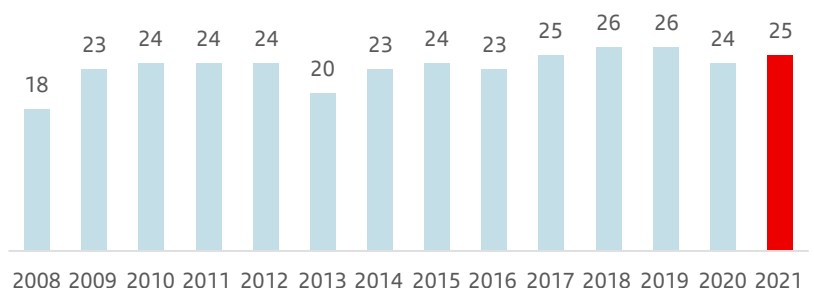
Underlying attributable profit by region<sup>A</sup>



A. 2021 underlying attributable profit by region. Operating areas excluding Corporate Centre.

### Group net operating income (Pre-Provision Profit)

EUR billion



Our strong model is reflected in the resilience of our business. It is a competitive strength that continues to differentiate us.

## 2021 results: growth, profitability, strength and shareholder value creation

Over the last seven years, we have laid the foundations to deliver great value and service to our customers, while increasing profit, improving profitability and strengthening our capital base.

In 2021, we delivered an all-time record profit before tax (PBT) of EUR 15.3 billion, reflecting strong business momentum across the Group.

We improved our efficiency, cost of risk and profitability, reached our capital target and improved our shareholder value creation by 11% in 2021.

### Strong operating performance in 2021: EUR 8.7bn of underlying profit

2021 (vs. 2020)

Growth	Profitability	Strength
Total customers <b>153mn</b> (+5mn)	RoTE <sup>B</sup> <b>12.7%</b> (+529bps)	FL CET1 <sup>C</sup> <b>12.0%</b> (+7bps)
Total revenue <sup>A</sup> <b>EUR 46.4bn</b> (+7%)	Efficiency ratio <b>46.2%</b> (-86bps)	Cost of credit <sup>D</sup> <b>0.8%</b> (-51bps)

2021 Shareholder value creation: +11%<sup>E</sup>

A. Changes in constant euros. In euros: +4%.

B. Underlying RoTE. Statutory RoTE: 12.0%.

C. Including acquisition of SC USA minority interest which closed on 31 January 2022 and the announced acquisition of Amherst Pierpont which is subject to completion, regulatory approval and other conditions.

D. Provisions to cover losses due to impairment of loans in the last 12 months / average customer loans and advances of the last 12 months.

E. TNAV per share + cash DPS of EUR 7.6 cents paid in calendar year 2021.

### Geographical and business diversification delivers growth and profitability

2021 (vs. 2020)

EUR billion

	Loans <sup>A</sup> +4% YoY	Customer funds <sup>B</sup> +6% YoY	Revenue +7% YoY	Underlying profit +78% YoY	% of Group's customer loans	% of Group's underlying profit <sup>C</sup>
Europe	576	712	16.3	3.0	60%	28%
North America	134	137	11.0	3.1	14%	29%
South America	129	162	15.4	3.3	14%	31%
Digital Consumer Bank	117	58	5.3	1.3	12%	12%

Note: YoY changes in constant euros.

A. Gross loans and advances to customers excluding reverse repos.

B. Customer funds: customer deposits excluding repos + marketed mutual funds.

C. Underlying contribution as a % of operating areas and excluding the Corporate Centre.



## Looking ahead

Thanks to our scale, geographic footprint and business diversification, we have numerous opportunities to grow, which should allow us to remain our customers' first choice.

To make the most of those opportunities, our focus is on implementing plans that enhance the existing connectivity across all the geographies and businesses, and improve the profitability of our core businesses through disciplined capital allocation.

We will do this while delivering on our commitment to offer our customers financial products and services in a Simple, Personal and Fair way, and creating value for our shareholders.

## Our focus and 2022 goals

### 2022 Group goals

Growth	Profitability	Balance Sheet Strength	Shareholder Remuneration <sup>B</sup>
Mid-single digit <sup>A</sup> Revenue growth	C/I 45% RoTE >13%	FL CET1 12%	Payout 40%

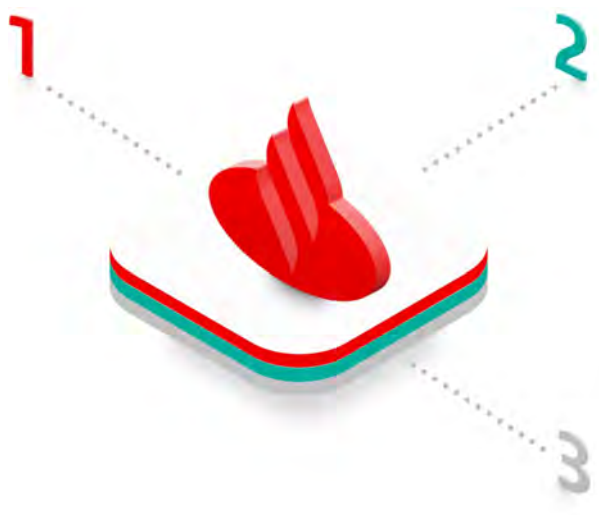
A. Constant EUR.

B. For the 2022 results the shareholder remuneration policy that the board intends to apply is a total remuneration of approximately 40% of the group's underlying profit, split in approximately equal parts between cash dividends and share buybacks, thus continuing the policy applied with respect to 2021 results. The implementation of the shareholder remuneration policy is subject to future corporate and regulatory decisions and approvals.

### Improving customer service and increasing connectivity

Investing in Tech ...	... and building common solutions
<p>Tech investment to transform the business...  <b>EUR 2bn / year</b>  ...and help customers transact online.  In 2021:</p> <p><b>76%</b> digital transactions of our core banks (vs 55% in 2019)</p> <p><b>54%</b> digital sales / total sales (vs 36% in 2019)</p>	<p>→ <b>PagoNxt</b>: common tech backbone for payments of Santander customers and open market.</p> <p>→ <b>One Santander</b>:</p> <ul style="list-style-type: none"> <li>• Regional Consumer Finance platform in South America.</li> <li>• Common App and Regional Business Owners in Europe.</li> <li>• T&amp;O shared services in North America.</li> <li>• Global Financial Crime &amp; Compliance solutions.</li> </ul> <p>→ <b>Digital Consumer Bank</b>: re-platform auto, consumer and retail.</p>

## Continuing to execute our three strategic priorities:



### 1. One Santander

The aim is to create a better bank for our customers that is more efficient, profitable and sustainable. This project incorporates improved customer service, our omni-channel strategy and a common operating model in each region.

### 2. PagoNxt

Our common tech backbone that will unify the payments of all Santander customers.

### 3. Digital Consumer Bank

The combination of our auto and consumer businesses, leveraging the technology of Openbank – Santander's full service native digital bank – to accelerate the tech transformation of our Consumer Finance business to maintain its high profitability and growth.

## 1. One Santander



### Europe

#### 2021 Key data

Loans <b>EUR 576bn</b> ↑ +3%	Customer funds <b>EUR 712bn</b> ↑ +6%	Efficiency <b>51.0 %</b> ↓ -5.4pp
Cost of credit <b>0.39 %</b> ↓ -19bps	Profit <b>EUR 3.0bn</b> ↑ +110%	RoTE <sup>A</sup> <b>7.4 %</b> ↑ +3.8pp

#### 2022 Strategic focus

<b>Profitable growth</b> from individual customers.
<b>SME value proposition</b> leveraging PagoNxt.
<b>Disciplined capital allocation</b> ; growing Santander Corporate & Investment Banking and Wealth management & Insurance.
<b>Common operating model</b> to drive EUR 1bn run-rate savings by end 2022.
<b>Cost of credit normalization.</b>

Note: 2021 data and year-on-year changes (underlying profit, loans and funds in constant euros).

A.Underlying RoTE. RoTE adjusted based on Group's deployed capital calculated as contribution of RWAs at 12% would be 9.9% (+5.4pp).



## North America

### 2021 Key data

Loans <b>EUR 134bn</b> ↑ +4%	Customer funds <b>EUR 137bn</b> ↑ +9%	Efficiency <b>45.6 %</b> ↑ +1.8pp
Cost of credit <b>0.93 %</b> ↓ -199bps	Profit <b>EUR 3.1bn</b> ↑ +109%	RoTE <sup>A</sup> <b>13.1 %</b> ↑ +6.2pp

### 2022 Strategic focus



Positioned to deliver **above cost of capital returns across core businesses.**

- **Refocusing US** on our market leading **consumer franchise.**
- **Simplifying: disciplined capital allocation.** Exit home lending / Review certain Corporate & Investment segments.
- **Synergies from 2021's strategic investments;** (Amherst Pierpont / SC USA minorities)<sup>B</sup>.



8 pp increase in digital transactions from 47% to 55%; digital sales up from 62% to 70% driven by greater **customer focus & tech investment.**

Note: 2021 data and year-on-year changes (underlying profit, loans and funds in constant euros).

A. Underlying RoTE. RoTE adjusted based on Group's deployed capital calculated as contribution of RWAs at 12% would be 24.6% (+13.8pp).

B. Acquisition of SC USA minority interest closed on 31 January 2022. The announced acquisition of Amherst Pierpont is subject to completion, regulatory approval and other conditions.



## South America

### 2021 Key data

Loans <b>EUR 129bn</b> ↑ +12%	Customer funds <b>EUR 162bn</b> ↑ +9%	Efficiency <b>35.0 %</b> ↓ -1.0pp
Cost of credit <b>2.60 %</b> ↓ -72bps	Profit <b>EUR 3.3bn</b> ↑ +24%	RoTE <sup>A</sup> <b>20.3 %</b> ↑ +2.6pp

### 2022 Strategic focus

Double-digit **growth in retail** segments.

**Leading regional Consumer Finance.**

**Accelerate connectivity** in Corporate and Santander Corporate & Investment Banking segments.

Proven **risk management capabilities** able to control cost of credit.

Fee businesses and transactional services on the back of **Group's payments platforms** will drive "recurrence" growth from our current 70% to ~80%.

Note: 2021 data and year-on-year changes (underlying profit, loans and funds in constant euros).

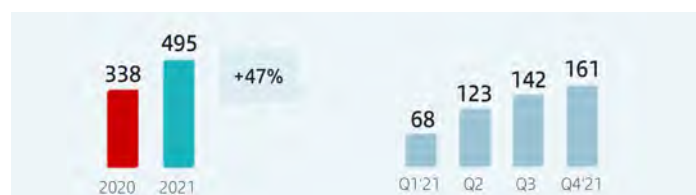
A. Underlying RoTE. RoTE adjusted based on Group's deployed capital calculated as contribution of RWAs at 12% would be 26.0% (+3.9pp).

### Building a more responsible bank by embedding ESG in our strategic priorities

In 2021, One Santander focused on helping customers in the transition to a green economy, jointly developing green products and services across regions, while promoting the financial health of our diverse customer base, especially the most vulnerable.

## 2. PagoNxt

### 2021 Revenue performance <sup>A</sup>



#### Merchant acquiring

Getnet

Santander banks  
with Getnet

6

Total payments  
volume (TPV) <sup>B</sup>

EUR 116bn

↑ +50%

Total active  
merchants

1.2 mn

#### International Trade

One Trade

Santander banks  
with One Trade

8

One Trade active  
SMEs and  
corporates

&gt;8k

Ebury revenue  
growth <sup>C</sup>

+30 %

A. Constant EUR mn and YoY changes in constant euros.

B. TPV: Total Payments Volume.

C. Changes in constant euros (estimated fiscal year from May'21-April'22 vs May'20-April'21). Management accounting data.

### 2022 Strategic focus

Continue to expand our global platforms.

Consolidating our retail leadership positions with Getnet.

Deploy One Trade's international payments services.

Implement the instant functionality of Payments Hub in various markets.

Continue the gradual migration of our global payments services and financial inclusion platform of Superdigital in Latin America.

### Building a more responsible bank by embedding ESG in our strategic priorities

In 2021, PagoNxt continued to develop consumer solutions, such as Superdigital, to tackle financial exclusion in Latin America, while supporting entrepreneurship with solutions for merchants, such as Getnet.

## 3. Digital Consumer Bank

### 2021 Key data

Loans <b>EUR 117bn</b> ↓ -1%	Customer funds <b>EUR 58bn</b> ↑ +10%	Efficiency <b>45.0 %</b> 0.0pp
Cost of credit <b>0.46 %</b> ↓ -38bps	Profit <b>EUR 1.3bn</b> ↑ +16%	RoTE <sup>A</sup> <b>14.0 %</b> ↑ +2.3pp

### 2022 Strategic focus

To become the largest digital consumer bank leveraging SCF's footprint in auto and consumer finance, profiting from Openbank's technology stack and reinforcing leadership position with strategic alliances.

**Auto:** Strengthening auto financing leadership by reinforcing mobility solutions with focus on leasing and subscription.

**Consumer (non-auto):** Gaining market share in consumer lending, with focus on e-commerce checkout lending and buy now, pay later (BNPL).

**Simplification for efficiency:** maintaining high speed digitalization in order to transform the business and improve efficiency.

Note: 2021 data and year-on-year changes (underlying profit, loans and funds in constant euros).

A. Underlying RoTE. RoTE adjusted based on Group's deployed capital calculated as contribution of RWAs at 12% would be 14.8% (+2.5pp).

### Building a more responsible bank by embedding ESG in our strategic priorities

In 2021, Digital Consumer Bank focused on developing green finance solutions (both in auto and consumer loans), while making progress in measuring the emissions financed in our loan portfolio.



## Global businesses (SCIB and WM&I) enhance our local scale with global reach and collaboration

Our global businesses built on their 2020 results, reporting outstanding performance in 2021, with double-digit profit growth.

SCIB and WM&I continue to bring connectivity across the Group to generate higher revenue and efficiencies.



### Santander Corporate & Investment Banking

#### 2021 Key data

Revenue

**EUR 5.7bn**

↑ +10%

Fee income

**EUR 1.8bn**

↑ +16%

Profit

**EUR 2.2bn**

↑ +26%

RoTE

**18.1 %**

↑ +2.5pp

#### 2022 Strategic focus

**Santander CIB supports corporate and institutional customers**, offering tailored services and value-added wholesale products suited to their complexity and sophistication.

Continue the **business transformation** to partner with our clients as strategic advisors, strengthening our value-added services, with an increased focus on ESG and Digital solutions.

Our aim in **Europe** is to become one of the top wholesale banks in the region, while strengthening our leadership position in **LatAm** and to up-tier our franchise in the **US** to compete on a level playing field.

Note: 2021 data and YoY changes (underlying profit, revenue lines and commercial activity in constant euros).



### Wealth Management & Insurance

#### 2021 Key data

Assets under  
management

**EUR 399bn**

↑ +8%

Commercial  
activity (Flows)

**EUR 11.7bn**

Private Banking

**EUR 8bn**

Santander Asset  
Management

Insurance  
Premiums <sup>A</sup>

**+12 %**

Fee contribution

**EUR 3.4bn**

↑ +12%

32% of Group total fees

RoTE

**59.7 %**

↑ +5.6pp

Profit

**EUR 907 mn**

↑ +13%

Contribution to Group's profit <sup>B</sup>

**EUR 2.3bn**

↑ +12%

#### 2022 Strategic focus

Our aim: to become the **best responsible wealth and insurance manager** in Europe and the Americas.

**Private Banking:** continue to build our global platform, expand and develop our product and service proposition, and deploy the best digital tools. We aim to renew or improve our top 3 position as Best Global Private Bank according to *Euromoney* <sup>C</sup>.

**SAM:** continue to be the preferred funds partner for our retail network by completing the creation of the global hubs, expanding the One Investments model and methodologies, and working to complete the implementation of our digital funds distribution platforms.

**Insurance:** optimize our customer service by completing our digital proposition using customer data; manage our portfolio to extend policy life; and increase customer base penetration.

**ESG** transversal across our businesses: offer sustainable investment management in our private banking platform, expand our ESG range to help reach our commitment of EUR 100bn AuM by 2025, work towards our Net Zero commitments and create a sustainable insurance value proposition.

Note: 2021 data and YoY changes (underlying profit, revenue lines and commercial activity in constant euros).

A. Protection business.

B. Including fees generated by asset management and insurance transferred to the commercial network.

C. Clients up to USD 250 million.

## ESG commitments: we are creating value for our shareholders by focusing on delivering profitable growth in a responsible way

In 2021, we continued to deliver on our ESG commitments, supporting our customers' green transition and financially empowering more people

### Supporting the green transition

**EUR 66bn**  
Green finance since 2019<sup>A</sup>

**>200%**  
YoY green finance in retail<sup>B</sup>

**EUR 27bn**  
AuM in Sustainable funds<sup>C</sup>

**#1**  
Financial advisor in  
Project Finance renewables<sup>D</sup>

### Building a more inclusive society

**7.5mn**  
People financially empowered  
since 2019

**>EUR 550mn**  
Credit allocated to microfinance  
in 2021

**1.4mn**  
Microentrepreneurs supported  
since 2019

**8**  
Countries with microfinance  
initiatives underway

### With a talented and diverse team

**6**  
Geographies where we are Top 10  
company to work for

**>26%**  
Women in senior  
leadership positions

**ESG**  
Metrics included in  
executives' incentives

**#1**  
Bank in Bloomberg Gender  
Equality Index

Note: audited data.

A. Only SCIB global business.

B. All segments excluding SCIB and WM&I.

C. AuMs classified as Article 8 and 9 funds (SFDR) from SAM, plus third-party funds and other ESG products according to EU taxonomy from Private Banking. We apply equivalent ESG criteria to SAM's funds in Latin America.

D. Banco Santander, S.A. emerged as the top financial advisor for renewable energy project financing in 2021, with a total deal credit of USD 10.3 billion and a market share of 28%, according to Bloomberg NEF's H2'21 Clean Energy League Tables.

We continued to progress towards our 2025 ESG commitments and in our Net Zero target by 2050. In 2021 we set the first decarbonization targets to support the green transition:

- Reduce our thermal coal exposure to zero.
- Align our power generation portfolio to the Paris Agreement by 2030.

For more information see the ['Responsible banking'](#) chapter.

# Responsible banking

Consolidated Statement of Non-Financial  
Information 2021



# About this chapter

GRI 102-45, 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54 and 102-56

This chapter is the consolidated non-financial statements of Banco Santander, S.A. and subsidiaries. It provides detailed information in accordance with Art. 49, sections 5, 6, 7, 8 and 9 of the Spanish Commercial Code as amended by Ley ("Act") 11/2018, which transposes into Spanish law Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information.

## Scope

This chapter covers the core activities of Banco Santander and its subsidiaries in Europe, the United States and Latin America from 1 January to 31 December 2021 (for more details, see Notes 3 and 52 to the consolidated financial statements and Sections 3 and 4 of the Economic and financial review). It gives economic, social and environmental information according to the bank's accounting criteria. Significant criteria differences from the 2020 Responsible banking chapter are explained in the related section as well as in the [Global Reporting Initiative \(GRI\) Content Index](#).

## International standards considered in preparing this Responsible banking chapter

Banco Santander follows international standards to prepare sustainability reports. This chapter meets the GRI Standards (comprehensive option), the GRI G4 guidelines on financial services disclosures, the Sustainability Accounting Standards Board's (SASB) 2018-10 industry standards, and the World Economic Forum's Stakeholder Capitalism Metrics. It shows Santander's progress with respect to the UN Principles for Responsible Banking, the TCFD recommendations, the 2030 Agenda and the UN Sustainable Development Goals. It also takes into account the European Taxonomy regulation (Regulation (EU) 2020/852 and Commission Delegated Regulations 2021/2139 of 4 June and 2021/2178 of 6 July).

## Material aspects and stakeholder involvement

Banco Santander maintains active dialogue with its stakeholders to understand their expectations. It conducts a materiality assessment of ESG matters and closely monitors questionnaires and recommendations of Dow Jones, FTSE4Good and other major sustainability indices, as well as the World Business Council for Sustainable Development (WBCSD) and other international sustainability initiatives it takes part in.

This chapter illustrates the sustainability of the bank's local and global operations, especially in terms of internal and external impact. For details on its preparation and on materiality assessment findings, see section 'What our stakeholders tell us'.

## External verification

This report has been verified with limited assurance by PricewaterhouseCoopers Auditores, S.L., an independent firm that also audited Banco Santander, S.A.'s financial statements for 2021.

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# 2021 overview

## Helping people and businesses prosper

<b>People</b>  EUR 11,216 million Staff costs <sup>A</sup>	<b>Customers</b>  EUR 972,682 million loans outstanding (net)	EUR 542,339 million to households  EUR 323,475 million to companies	EUR 22,152 million to government agencies  EUR 86,716 million to others <sup>B</sup>
<b>Shareholders</b>  40% of ordinary profit intended for their remuneration <sup>C</sup>	<b>Communities</b>  EUR 152 million invested in communities	<b>Suppliers</b>  EUR 6,757 million paid to suppliers <sup>D</sup>	<b>Tax contribution</b>  EUR 7,617 million Total taxes paid by the group

## Building a more responsible bank by embedding ESG

<b>Environmental</b> → Embedding a climate strategy to deliver net zero by 2050 2.1% of exposure to sectors with decarbonization targets against total lending on the balance sheet 38% of credit risk exposure with decarbonization targets against SCIB exposure to climate concerning sectors  → Helping our customers transition to a low-carbon economy EUR 32.3 bn in green finance mobilized in 2021 EUR 27 bn in sustainable AuM  → Minimizing our environmental footprint 39% reduction of CO <sub>2</sub> emissions; Carbon neutral by offsetting 118,517tn CO <sub>2</sub> emissions	<b>Social</b> → Creating a workplace that attracts and retains diverse talent 54% women in our workforce 98% workforce with a permanent contract; and 9.8% promoted  → Fostering financial inclusion and empowerment EUR 571 million credit disbursed to 1 million micro-entrepreneurs  → Supporting our communities 162k Scholarships and grants through Santander Universities 2.1 million people helped through social action programmes	<b>Governance</b> → Promoting our culture, the Santander Way 84% of employees said they felt proud to work for Santander and are motivated to build a bank that is even more Simple, Personal, Fair.  → Ensuring sound corporate governance and risk management 66.7% independent directors 93% of employees can identify risks in their job every day  → Acting responsibly towards customers and suppliers 65% of complaints are resolved in less than 15 days, 85% in less than 30 days. 94% of our total services are locally sourced <sup>D</sup>
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A. From Group consolidated financial statements.

B. Including financial business activities and customer prepayments.

C. Pay-out of approximately 40% of ordinary profit, equally divided between a cash dividend and a share buyback

D. Data refers exclusively to purchases negotiated by Aquanima, our procurement global entity.

# Meeting our public commitments

The 11 public commitments Banco Santander announced in 2019 reflect our responsible banking ambitions and help embed environmental, social and governance (ESG) criteria in operations. They are "SMART" (Specific, Measurable, Achievable, Realistic and Time-bound) to fulfil the UN Sustainable Development Goals and the targets set out in the Paris Agreement on climate change.

In 2021, we met (or exceeded) all our commitments for 2019-2021 and made progress on all our targets. Our new public commitments include initial decarbonization targets for the power industry for 2025 and 2030, which measure emission intensity.

	2018	2019	2020	2021	Target
Top 10 company to work for <sup>A</sup>	4 →	5	6	6 ✓	Top 10 in 6 countries by 2021
Women board members	33% →	40%	40%	40% ✓	40-60% by 2021
Women in senior positions <sup>B</sup> (%)	20% →	22.7%	23.7%	26.3%	→ 30% by 2025
Equal pay gap <sup>C</sup>	3% →	2%	1.5%	1%	→ ~0% by 2025
Financially empowered people <sup>D</sup> (cumulative)	<div><div></div></div>	2.0mn	4.9mn	7.5mn	<div><div></div></div> 10mn by 2025
Green finance raised and facilitated <sup>E</sup> (cumulative)(EUR)	<div><div></div></div>	19bn	33.8bn	65.7 bn	<div><div></div></div> 120bn by 2025 220bn by 2030
Electricity used from renewable energy sources <sup>F</sup>	43% →	50%	57%	75% ✓	→ 60% by 2021 100% by 2025
Carbon neutral in our own operations <sup>G</sup>		→	✓	✓	→ since 2020
Reduction of unnecessary single-use plastics in corporate buildings and branches <sup>H</sup>		75% →	98%	100% ✓	100% by 2021
Scholarships, internships and entrepreneurship programmes (cumulative) <sup>I</sup>	<div><div></div></div>	69k	225k	388k ✓	325k by 2021 <sup>J</sup>
People helped through our community programmes (cumulative) <sup>K</sup>	<div><div></div></div>	1.6mn	4.0mn	6.1mn ✓	4mn by 2021
<div><div></div> Cumulative target</div> <div><div></div> From... to...</div>					

— Cumulative target      → From... to...

A. According to Great Place to Work, Top Employer, Merco and other external indices in each country

B. Senior positions make up 1% of the total workforce

C. Equal pay gap based on same jobs, levels and functions

D. Unbanked, underbanked and financially vulnerable individuals who receive tailored finance solutions and become more aware and resilient through financial education.

E. Includes Grupo Santander's contribution to green finance: project finance; syndicated loans; green bonds; capital finance; export finance; advisory services, structuring and other products, to help customers transition to a low-carbon economy. EUR 220bn committed from 2019 to 2030

F. In countries where we can verify electricity from renewable sources at Banco Santander properties

G. In our core geographies (G10)

H. For G10. Does not account for Covid-19 measures that might have involved plastic

I. Students given a scholarship through Santander Universities who will do an internship at an SME or take part in Santander-endorsed entrepreneurship programmes

J. The initial target of 200k beneficiaries was reached in 2020 and therefore the bank committed to offer 125k additional scholarships by 2021

K. Does not include Santander Universities or financial education initiatives

# Our progress in 2021

## E

- Commitment to net zero emissions by 2050. Founding member of UNEP FI's Net Zero Banking Alliance. First decarbonization targets set.
- SAM joined the Net Zero Asset Managers initiative, becoming the first asset manager in Spain to commit to net-zero emissions by 2050 and halve emissions on 50% of its AUMs.
- New sustainable finance classification system setting the criteria to offer, manage and report sustainable financing.
- Beyond the 32.3bn mobilized by SCIB in green finance, our third green bond raised EUR 1 billion in an eight-year non-preferred senior debt issue that will finance wind and solar power projects.
- Santander Universities launched the Santander X Environmental Challenge to support innovative companies worldwide and promote a low-carbon economy.

## S

- We ranked in the Top 3 in NPS in 8 markets, up from 6 in 2020.
- Santander Chile, Santander Colombia and Santander Perú launched new microfinance programmes for entrepreneurs, while we continued to expand Prospera in Brazil and TUIIO in Mexico.
- We have worked to develop a new global health and well-being policy.<sup>A</sup>
- Santander Universities launched the Santander X Global Challenge | Finance For All to find innovative solutions that ensure access to banking products and services.

## G

- ESG criteria are included in the short-term variable remuneration scheme that generally applies to Group employees. We also approved the inclusion of ESG criteria in long-term incentives for senior executives.
- ESG course available to all employees and three-level ESG training model adapted to our employees' needs.
- New ESG certification by Aquanima (our global procurement entity).
- ESG disclosure enhanced. In addition to the Global reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), this report includes Stakeholder Capitalism Metrics (IBC-WEF). Improved position in key ESG ratings such as DJSI, MSCI, CDP, Shareaction, Sustainalytics, FTSE4Good and BGEI.

A. This policy will be approved in 2022.



# Awards and recognition



## One of the world's best places to work

For the third consecutive year, Great Place to Work named Banco Santander one of world's 25 best workplaces, out of more than 10,000 organizations worldwide that foster exceptional employee experiences centred on trust and fair treatment. We were the only bank in the ranking.



## Best Bank for Financial Inclusion and Best Bank for Sustainable Finance in Latin America

Euromoney named Banco Santander "Best Bank for Financial Inclusion" and "Best Bank for Sustainable Finance in Latin America". It highlighted our efforts to make financial services more accessible and financially empower people and businesses through programmes in Latin America, Europe and the US. It also commended our work to promote digital channels (especially among the elderly) during the pandemic and aid the transition to a low-carbon economy.



## Top Employers 2021

Santander received its fifth consecutive Top Employers Europe certification in recognition of its excellent working conditions and contribution to employee development. We received the certificate in three of our core markets in Europe (Spain, Poland and the UK) as well as for our Santander Consumer Finance units in Germany, the Netherlands, Austria, Poland, France and Belgium.



## One of the 100 most valuable brands in the world

Our work to help communities prosper in a way that is Simple, Personal and Fair earned us recognition as the biggest bank in the eurozone and sixth globally in Interbrand's 2021 Best Global Brands ranking.

## ESG indices and analysts

- Featured in the Dow Jones Sustainability Index for the 21st year in a row, with top marks in financial inclusion, environmental reporting, operational eco-efficiency and social reporting. Santander was also included in the 2022 S&P Sustainability Yearbook, receiving a silver class award for its performance during 2021.
- MSCI increased our rating from BBB (2020) to AA (2021), recognizing our efforts to capitalize on financial access opportunities; our cyber security and privacy plans; and our board's commitment to consider climate matters in our long-term strategy.
- CDP rating category up from B to A-, putting us among leading financial institutions.
- Sustainalytics also recognized our progress, raising our score from 27.1 to 23.9
- We are members of the FTSE4Good Index, and improved from 4.3 in 2020 to 4.5 out of 5 in 2021.
- We increased our score in the Bloomberg Gender-Equality Index (BGEI) from 85 to 90 and were the highest-ranked bank and second highest company.

## Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA



## Sustainability Award Silver Class 2022

S&P Global

## Local Awards



- Eikon Award in the Sustainability/ Education category for the 2021 Financial Education Campaign
- Top 3 best company to work for and Top 4 best company for women to work for by GPTW



- Outstanding leadership in sustainable finance in Latin America by Global Finance
- ALAS 2021: excellence in information disclosure, Líderes Sustentables 2021.
- Members of DJSI Chile, DJSI MILA and DJSI Emerging Markets.



- Golden CSR Leaf of Polityka for the fifth time for consistent implementation and development of CSR.
- Santander Bank Polska joined the Diversity IN Check, the list of the most inclusive and diversity-friendly companies
- Top Employers Polska 2021 award
- Equal Company Certificate 2021, awarded by Forbes Women magazine



- Top Employers: Ranked first in Spain in 2021
- Santander awarded most innovative entity in digital banking by 'The Banker' for its financial inclusion initiatives. The magazine highlights the agreement between Santander and Spain's public postal service to provide rural areas with basic financial services
- Santander received an "A for Excellence" rating in its Empresa Familiarmente Responsable ("Family-responsible company" or EFR) from Fundación MásFamilia



- Top 10 best Company to work for and Top 10 Best Company to work for the LGBTQI+ collective by GPTW
- The American Chamber of Commerce gave us the ECO Award for Brazil's most innovative company in sustainability.
- Melhores do ESG – Exame: Exame magazine recognised Santander as the best ESG Financial Institution
- In a special award for the 10th anniversary of the Época Negócios 360° yearbook, Santander Brasil was named company of the decade in sustainability
- Índice de Sustentabilidade Empresarial: for the 12th consecutive year we are in the Índice de Sustentabilidade Empresarial (ISE) portfolio. Promoted by B3 - Brasil, Bolsa, Balcão



- Social Mobility Employer Index 2021: Top 20 in the index for UK employers who have taken the most action to improve social mobility in the workplace (first bank)
- Our partnership with the Alzheimer's Society received 6 awards for our strategic work, support to the charity and for making Santander be a better bank for people affected by Alzheimer's and dementia



- Best Sustainable Finance Bank for SME in Latin America by Euromoney Magazine
- Best Financial Inclusion Bank and Best Socially Responsible Bank by International Finance
- Outstanding Leader in Sustainable Finance in Latin America by Global Finance Magazine
- Tuiio recognized as an outstanding practice to end poverty in Mexico by Global Compact
- Santander the only bank in Mexico included in the S&P Global Sustainability Yearbook 2021. Member of the Dow Jones Sustainability Index MILA Pacific Alliance Index (DJSI MILA 2021) for the second year in a row
- *Expansión* named Santander México a "Top company for women" for its work to support talented women



- Top Workplaces USA 2021 & 2022: Santander Consumer



- Top 4 best Company for women to work for by GPTW

# Our approach

By delivering on our purpose to help people and businesses prosper, we grow as a business while helping address society's challenges.

## Our strategy is....

**E**

Deliver our net zero carbon ambition by 2050 by setting decarbonization targets, helping our customers transition and remaining carbon neutral in our own operations.

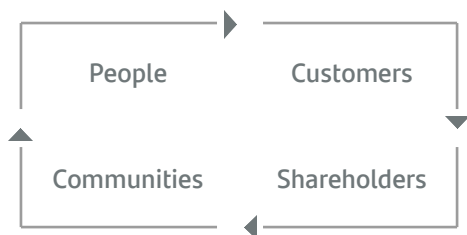
**S**

Support inclusive growth through financial empowerment; support education, enterprise and employment; and building a diverse, talented workforce.

**G**

Embed behaviours, processes, policies and governance to ensure we are acting responsibly, listening to our stakeholders, and treating them in a Simple, Personal and Fair way – all based on solid governance and prudent risk management.

## By being responsible we build loyalty



## I'm loyal to Santander because...

### ... Santander does things the right way

In our day-to-day business, we make sure we don't just meet our legal and regulatory requirements, but also exceed people's expectations by being Simple, Personal and Fair in all we do.

### ... Santander promotes inclusive and sustainable growth

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

# What our stakeholders tell us

## Listening to our stakeholders and creating value

GRI 102-15, 102-21, 102-23, 102-24, 102-25, 102-26, 102-36, 102-37, 102-40, 102-41, 102-42, 102-43 and 102-44

We run surveys and 'speak-up' channels for employees, as well as interactive platforms for customers. We assess externalities to identify risks and opportunities and appraise our impact on the community. We respond to demands from top analysts, investors and indices interested in ESG matters; keep pace with new regulation and best practices worldwide; and take part in consultations with authorities, trade bodies and other organizations that influence policymaking on sustainable development. We're also involved in major local and international initiatives to support inclusive and sustainable growth (see 'Joint initiatives to promote our agenda' in 'Governance and priorities').



For more information, see 'International and local initiatives that Santander supports' in the ['Governance'](#) section of this chapter.



For more information, see ['Economic, Regulatory and Competitive Context'](#) in the 'Economic and Financial Review'.

## Key dialogue channels for stakeholders

GRI 102-44

<b>People</b> 	<b>86%</b> employees participated in the 2021 Global Engagement Survey	<b>4,338</b> complaints received through ethical channels		
<b>Customers</b> 	<b>+4 millions</b> of surveys to measure customer satisfaction	<b>+45,000</b> banked individuals surveyed about Santander being Simple, Personal and Fair	<b>478,586</b> complaints received	
<b>Shareholders</b> 	<b>15,260</b> shareholders surveyed about Santander being Simple, Personal and Fair	<b>18,695</b> shareholders and investors participated in studies and quality surveys	<b>139,301</b> queries handled by email, phone, WhatsApp and online	<b>116</b> meetings with minority shareholders and <b>942</b> contacts with institutional investors
<b>Communities</b> 	<b>997</b> universities and academic institutions with agreements <sup>A</sup>	<b>+1,400</b> partnerships with social institutions and entities	<b>+300</b> social media profiles <b>+25</b> million followers	

A. This figure only includes universities that have an agreement with Santander Universities. Adding Universia's data, the total figure is 1,415 universities and academic institutions in 28 countries



## Materiality assessment: Identifying the issues that matter

GRI 102-47, 103-1

Our in-depth materiality review included direct stakeholder input (internal and external interviews and surveys on the bank's ESG priorities), in line with best practice. Following the proposed Corporate Sustainability Reporting Directive (CSRD) and leading ESG reporting standards, we applied the principle of double materiality: (1) financial materiality (how ESG issues impact financial performance); and (2) environmental and social materiality (how ESG action impacts society and the environment).

### Basics for 2021 materiality assessment

#### → Phase 1

Based on the external landscape, key trends and our own operations, we drew up a preliminary list of 15 ESG topics and placed them into three categories: E, S and G.

#### → Phase 2

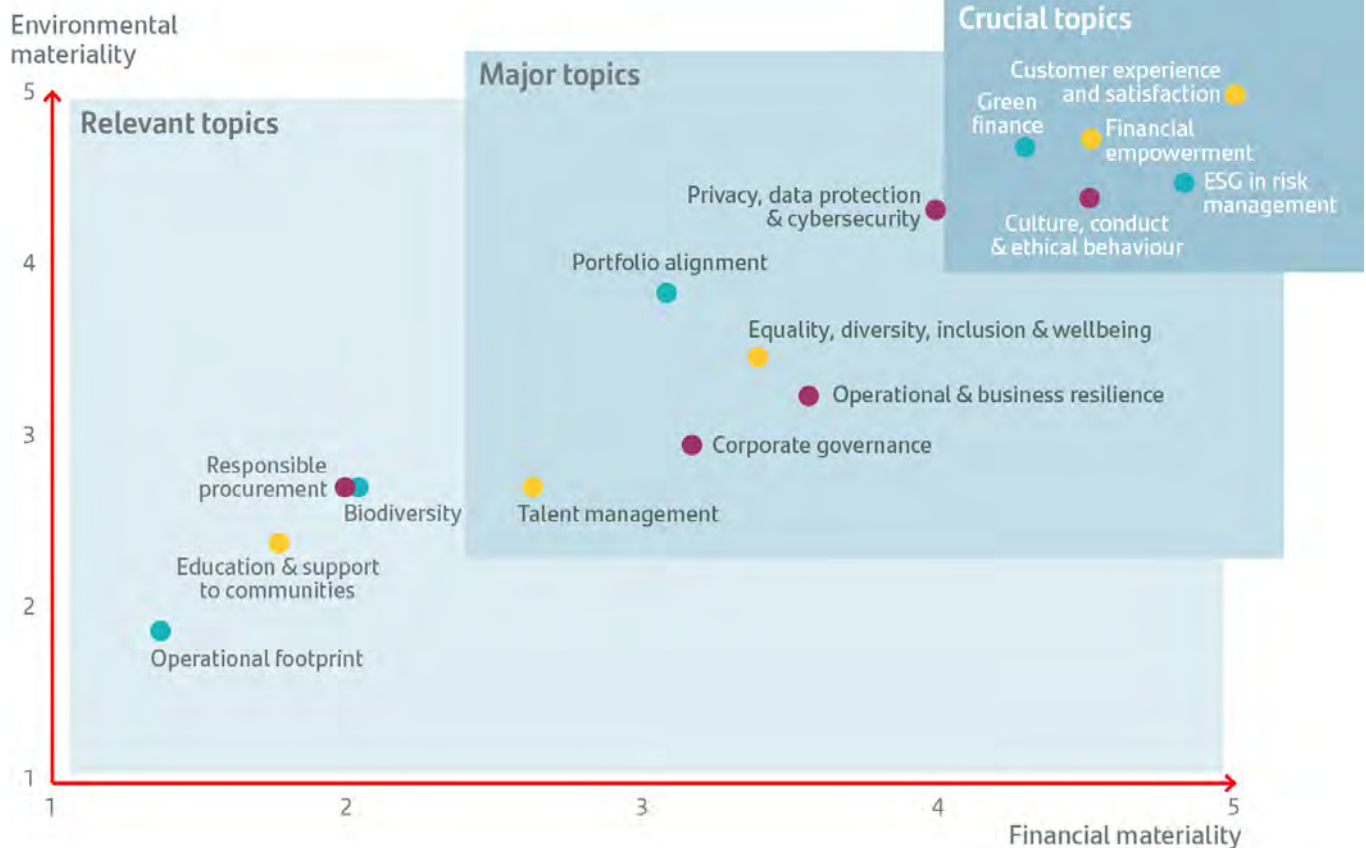
We ran workshops, surveys and one-to-one interviews to set priorities; and gathered feedback from customers, employees, senior managers, investors and NGOs.

#### → Phase 3

We gave topics a score and weighted them to produce a ranking in order of importance to Banco Santander.

## Analysis inputs

Global and sector-based	→ Regulators' and international institutions' requirements (such as EU taxonomy)	
	→ Sustainability frameworks and standards (such as UN Sustainable Development Goals, UN Principles for Responsible Banking, Task force on Climate-related Financial Disclosures, Global Reporting Initiative, Sustainability Accounting Standards Board,...)	
	→ ESG analysts' and indexes' expectations	
	→ Banking sector reporting trends (peer banks)	
Stakeholder opinion	Customers	9,000 surveys in 9 countries
	Employees	500 surveys in each country and HQ (more than 1,800 responses)
	Senior management	Specific session to discuss materiality in our annual senior management leadership meeting. One-to-one interviews with heads of corporate areas and representatives of businesses and regions.
	Investors	Interviews with major investors
	NGOs	One-to-one interviews with international NGOs

Group material topics matrix<sup>A</sup>

## Conclusions and changes since 2020

## Environmental

'Green finance' and 'ESG in risk management' are now crucial topics. 'Portfolio alignment with net zero by mid-century' is a major topic. In 2020, 'Climate strategy' had medium importance and 'ESG products & services' low/medium.

## Social

'Customer experience' remains highly material. 'Customer financial wellbeing' and 'Financial inclusion and empowerment' are now among the crucial topics. In 2020, 'Customer satisfaction' was also one of three high priority topics.

## Governance

'Culture, conduct & ethical behaviour' (crucial topic) and 'Privacy, data protection and cybersecurity' (major topic) increased in importance. In 2020: 'Compliance and risk management' had medium importance and 'Cybersecurity and data protection' had low importance.

A. Issues such as food waste, light and noise pollution are not material to the Group.

## Our ESG priorities

Our materiality assessment identified 15 ESG topics we should focus on.

### Crucial topics

#### Customer experience and satisfaction

Supporting customers and local economies with products and services that meet their needs. Giving them services and products that are Simple, Personal and Fair. Innovating and using digital technologies to maximize access to products and services.

#### Financial inclusion and empowerment

Designing, developing and delivering products and services that ensure access to the financial system and meet credit needs. Building resilience through financial education.

#### Green Finance

Supporting our customers in their transition to a low-carbon economy by embedding environmental factors in products and risk analyses, and by supporting the growth of sustainable financial product markets.

#### ESG in risk management, embedding climate

Ensuring our risk management framework incorporates customers' and operations' environmental (e.g. climate) and social (e.g. human rights) risks, and outlining them in policies and procedures.

#### Culture, conduct & ethical behaviour

Ensuring exemplary conduct by everybody: being Simple, Personal & Fair in all we do; and embedding Risk Pro, ethical channels and best-in-class policies and controls on employees' internal conduct, transparency towards customers and ethical behaviour.

### Major topics

#### Privacy, data protection and cybersecurity

Managing the risks from collecting, retaining and using personal information.

#### Portfolio alignment to net zero achieved by mid century

Analysing our portfolios' carbon footprint and aligning them with the Paris Agreement by taking actions to steer them to net zero, applying climate methodologies, and setting targets.

#### Equality, diversity, inclusion & wellbeing

Ensuring equality, fairness, health, emotional and financial wellbeing and respect among employees, with zero tolerance for harassment and discrimination.

#### Operational and business resilience

Adapting to a changing environment (including adverse events), maintaining the resilience of the business and building on strategic priorities (One Santander, Digital Consumer Bank and PagoNxt).

#### Corporate Governance

Guarantee effective corporate governance to continue creating value for shareholders, allocating capital efficiently and ensuring profitable growth in a responsible way that meets our stakeholders' expectations. Introduce ESG standards in variable pay schemes.

#### Talent management and development

Attracting, engaging and retaining a productive and talented workforce with benefits and development opportunities. Ensuring meritocracy.

### Relevant topics

#### Operational footprint

Reducing direct operational and indirect value chain impacts through energy and water management; the use and recycling of materials; and green building design (incl. initiatives for employees to assess and reduce their footprint).

#### Responsible procurement

Assessing ESG in our supply chain to manage associated reputational and service-level risks.

#### Education and support to communities

Leveraging Santander Universities to provide education, employability and entrepreneurship opportunities and to connect startups and SMEs with talent, clients, training and other resources. Supporting community wellbeing and improving the lives of people at risk of exclusion.

#### Biodiversity

Managing the impact of our financial products and services on ecosystems and biodiversity through whom we lend to, including (but not limited to) natural resource extraction, cultivation and project development.

## Our 2021 materiality assessment led to an ambitious action plan for 2022-2025.

### Our Goals

E

Deliver our net zero carbon ambition by 2050 by setting decarbonization targets, helping our customers transition and remaining carbon neutral in our own operations

### Priority Action Plans

- Execute our **climate strategy** towards **net zero** by 2050
- Measure and develop our **green transition and sustainable finance** value propositions across units
- Embed environmental, social and climate criteria into **risk management**

S

Support inclusive growth through financial empowerment; support for education, enterprise and employment; and building a diverse, talented workforce.

- Continue to promote a **diverse & inclusive workplace** that fosters **employee wellbeing**
- Continue improving **customer experience and satisfaction**
- Enhance our **financial empowerment** and inclusion proposition

G

Embed behaviours, processes, policies and governance to ensure we are acting responsibly, listening to our stakeholders, and treating all our stakeholders in a Simple, Personal and Fair way – all based on solid governance and prudent risk management

- Foster **culture, conduct and ethical behaviour**. The **Santander Way** behaviours refresh
- Engage with **external stakeholders** (ESG analysts, indexes, NGOs,...)

### RB Public commitments ahead

	2021 figure	Target	Period
1. Electricity from renewable sources (%)	75%	100%	by 2025
2. Thermal coal-related power & mining phase out	€7bn	0 exposure	by 2030
3. Reduce emission intensity in power generation portfolio <sup>A</sup>	0.23 tCO <sub>2</sub> e/MWh	0.18 tCO <sub>2</sub> e/MWh 0.11 tCO <sub>2</sub> e/MWh	by 2025 by 2030
4. Green Finance raised and facilitated (cumulative) <sup>B</sup>	€65.7 bn	€120 bn €220 bn	2019-2025 2019-2030
5. Sustainable investment (€bn AUM under ESG funds)	€27 bn	€100 bn	by 2025
6. People financially empowered (millions)(cumulative) <sup>B</sup>	7,5 M	10 M	2019-2025
7. Women in senior positions	26.3%	30%	by 2025
8. Equal Pay Gap	1%	0%	by 2025

### Maintain commitments achieved:

→ Be carbon neutral in our operations

→ Eliminate use of single-use plastics in our buildings and offices

→ Have a board of directors with 40-60% women members

A. The 2021 figure of 0.23 tCO<sub>2</sub>e/MWh corresponds to the latest available portfolio data (2019).

B. The 2021 figure is a cumulative figure from 2019.

## Governance

GRI 102-14, 102-16, 102-31, 102-34, 103-2, 103-3, FS1, FS2 and FS3

Our principles, frameworks and policies ensure we behave responsibly in all we do. We strengthened our responsible banking governance to continue doing things the right way and promote inclusive and sustainable growth.

### Responsible banking corporate framework

Created in 2021, the framework's common principles, roles and responsibilities, key processes and governance to drive us towards a more sustainable business model that delivers on our purpose to help people and businesses prosper. It also reinforces our commitment to Agenda 2030: the UN Sustainable Development Goals (SDGs), the Paris Agreement and the Principles for Responsible Banking. The corporate framework is approved by the Board.

### Policies and guidance

The Group's policies and guidance set the standard for all units. We systematically review the scope of policies relating to the integration of ESG criteria to ensure compliance with international best practice. In 2021, the Responsible Banking function was made part of the policy approval process to embed sustainability criteria in all policies.

### Core policies that integrate ESG criteria into our business model, to make us a more responsible bank<sup>A</sup>

#### General code of conduct

Brings together the ethical principles and rules of conduct our employees must follow and is central to our compliance function.

#### Corporate culture policy<sup>B</sup>

Establishes the guidelines and standards to ensure a consistent group culture.

#### General sustainability policy

Outlines our sustainability principles and voluntary commitments to generate long-term value for our stakeholders.

#### Human rights policy

Sets out how we protect human rights, in line with the UN Guiding Principles on Business and Human Rights.

#### Environmental, social & climate change risk management policy

Details how we identify and manage risks, in oil and gas, energy, mining and metals, and in soft commodities.

#### Sensitive sectors policy

Provides guidelines for assessing and determining our involvement in industries that pose a reputational risk.

### Other policies that support our responsible banking strategy

Consumer  
protection  
policy<sup>C</sup>

Code of conduct  
in security  
markets

Cybersecurity  
policy

Third-party  
certification  
policy<sup>D</sup>

Tax policy<sup>E</sup>

Conflicts of  
interest policy

Financing of  
political parties  
policy

Policy on  
contributions  
for social  
purpose<sup>F</sup>

Global mobility  
policy

A. These policies are approved by the board of directors and are available on our corporate website (except the Sensitive sectors policy).

B. Includes Banco Santander's Diversity & Inclusion Principles and the Corporate Volunteering Standard.

C. Includes financial consumer protection principles.

D. Includes principles on the responsible behaviour of suppliers. These principles are publicly available on our corporate website.

E. Our tax strategy and an extract of our Tax policy are available on our corporate website.

F. Updated and available on our corporate website.

## Decision-making and oversight bodies

### Board of directors

Approves and supervises the implementation of general policies and strategies relating to our corporate culture, values, responsible business practices and sustainability. It also makes sure all the Group's employees are aware of codes of conduct and act ethically, and ensures compliance with the laws, customs and good practices of the industries and countries where we operate.



### Responsible banking, sustainability & culture committee ("RBSCC") (meets at least four times a year)

Supports the board and oversees the Group's responsible banking agenda and strategy.

For more details, see [4.9 'Responsible banking, sustainability and culture committee activities in 2021'](#) in Corporate governance chapter



### Responsible banking forum (meets at least six times a year)

Executes the responsible banking agenda across the Group, drives decision-making on responsible banking issues and ensures the execution of any mandates from the RBSCC, other board committees and the board of directors. It also ensures alignment on key issues, including the review and escalation of reports to the RBSCC.

## Implementation bodies

### Management meeting

Chaired by the CEO, discusses responsible banking agenda progress, including climate change, with a special focus on TCFD and ESG business opportunities.

In 2021, the meeting was informed four times on the progress of the responsible banking agenda.



### Corporate responsible banking unit

Coordinates and drives the responsible banking agenda.

A senior adviser on responsible business practices supports this unit and reports directly to the executive chairman.



### Responsible banking network

Our subsidiaries' sustainability and culture units execute responsible banking agendas according to our corporate strategy and policies. They are led by a senior manager, who is part of the group-wide Responsible banking network, which meets every two months.

We issue guiding principles for subsidiaries and global business units to embed our responsible banking agenda across the Group.

The corporate responsible banking unit and local units hold regular bilateral meetings.

Working groups on financial education, training, sustainable finance, microfinance and climate change help agree actions and align efforts.

In 2021, the network held six virtual meetings to discuss progress on the Group's agenda. 10 bilateral meetings focused on each units' ESG agenda. The network also ran the third Responsible Banking workshop, which representatives from all businesses and geographies attended over three days (one day for each initial: E, S and G).

## Core topics addressed in 2021

In 2021, we addressed five ESG core topics: Climate change and green finance; diversity and inclusion; our culture, "The Santander Way"; Santander's materiality assessment; and policies related to responsible banking.



## Helping society tackle global challenges: 2030 agenda

Our activity and investments contribute to several United Nations' Sustainable Development Goals and support the Paris Agreement.

We analysed our agenda's contribution to the SDGs and determined the most relevant goals to Banco Santander's activity, commitments and strategy.

For more details, see the 'Banco Santander and the SDGs' brochure on our corporate website.



### The SDGs on which Banco Santander has the greatest impact



Our skilled and committed team enables us to respond to customers' needs; help entrepreneurs create businesses and jobs; and strengthen local economies.



We tackle climate change by reducing our own carbon footprint and environmental impact, while helping our customers transition to a sustainable economy.



We promote transparency, the fight against corruption and robust institutions for sustainable development. We have policies and codes of conduct that regulate our activity and behaviour and steer our commitments towards a more responsible banking system.

### Other SDGs on which Banco Santander also has an impact



We want to reduce poverty and boost the welfare and economy of the countries we operate in. Our financial inclusion products and services and community investment programmes empower millions each year.



Our pioneering Santander Universities programme helps universities and students prosper, promoting education, entrepreneurship and employment. Also, Santander Scholarships is one of the world's largest private education grant funds.



We promote an inclusive and diverse workplace, ensuring equal opportunity as a strategic priority. We also run initiatives to drive diversity.



We're the global leader in renewable energy financing, and finance energy efficiency projects; low-emission, electric and hybrid vehicles; and other cleaner transport solutions.



Our products and services give society's most vulnerable better access to financial services and we teach them the concepts and skills they need to manage their finances effectively.



We finance sustainable infrastructure and promote access to affordable housing to guarantee basic services and inclusive economic growth.



We are firmly committed to reducing our environmental footprint, implementing energy efficiency plans and promoting the use of renewable energies, as well as offsetting the consumption of our internal operations.



We participate in prominent local and international initiatives and working groups.



For more details on how Banco Santander supported the UN Sustainable Development Goals in 2021, see the [SDGs contribution content index](#) at the end of this chapter

## Partnerships to promote our agenda

GRI 102-12 and F55

We drive our responsible banking agenda through a number of local and international initiatives and working groups, including:

### ➤ UNEP Finance initiative

We are a founding signatory to the United Nations Principles for Responsible Banking. In 2021, we continued participating in Phase III of the UNEP FI project on the TCFD's recommendations for banks.

### ➤ United Nations Global Compact

We've been part of the Global Compact network since 2002 and member signatory of the United Nations Global Compact's gender equality programme since 2020.

### ➤ Glasgow Financial Alliance for Net Zero, Net Zero Banking Alliance and Net Zero Asset Management

In support of our Net Zero ambition, we joined the Glasgow Financial Alliance for Net Zero, Net Zero Asset Management and were co-founders to the Net Zero Banking Alliance. Within GFANZ, we co-led the Net Zero Public Policy and their call to action launched in October.

### ➤ World Business Council for Sustainable Development (WBCSD)

Our Group Executive Chair, Ana Botín, completed her tenure on the WBCSD's executive committee. In 2021, we participated in the Banking for Impact on Climate in Agriculture (B4ICA).

### ➤ Banking Environment Initiative (BEI)

We continued to participate in the Bank 2030 initiative, aimed at building a roadmap for the banking industry to help society in the transition towards a low-carbon economy.

### ➤ CEO Partnership for Economic Inclusion

We're part of a private-sector alliance for financial inclusion, led by Queen Máxima of the Netherlands, Special Representative of the United Nations, to promote inclusive financing for development.

### Other international and local initiatives that Santander supports

- UN Women's Empowerment Principles
- The Valuable 500
- UN Principles for Responsible Investment
- CDP (Carbon Disclosure Project)
- UN Global Investors for Sustainable Development (GISD) Alliance
- Green Recovery Alliance of the European Union
- Equator Principles
- Consultative Group of the Taskforce on Scaling Voluntary Carbon Markets
- Partnership for Carbon Accounting Financials (PCAF)
- International Wildlife Trade Financial Taskforce
- Round Table on Responsible Soy
- Working group on Sustainable Livestock
- Climate Leadership Council
- The Wolfsberg Group

# Doing things the right way

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



## **Our strong and inclusive culture: The Santander Way**

A strong corporate culture is critical to succeeding in today's competitive, fast-moving environment.



## **Conduct and ethical behaviour**

We conduct our business in compliance with the highest standards of conduct and ethical behaviour.



## **A talented and engaged team**

The more prepared and motivated our workforce is, the stronger its commitment to helping people and businesses prosper will be. Our team reflects the diversity of the communities where we operate.



## **Acting responsibly towards customers**

We develop our products and services responsibly, and aspire to deliver excellent customer service.



## **Responsible procurement**

Our procurement processes apply ethical, social and environmental criteria to ensure we operate in a sustainable way.



## **Shareholder value**

We have clear and robust governance that manages risks and opportunities prudently and helps us devise long-term strategies to safeguard the interests of our shareholders and broader society.

# A strong and inclusive culture: The Santander Way

## Corporate culture: Values and behaviours

GRI 102-16

The Santander Way is our purpose, our aim and how we do business. It's the bedrock for building a more responsible bank. By fulfilling our purpose of helping people and businesses prosper, our business grows and creates value for everyone.

To live The Santander Way and be Simple, Personal and Fair in everything we do, we have eight corporate behaviours<sup>A</sup> embedded in every stage of the employee lifecycle, from recruitment and training to performance reviews and compensation. In addition, our principles on diversity and inclusion strengthen our relations with our broad base of stakeholders, making sure we are fully inclusive.

## The Santander Way



A. In 2021, we updated our corporate behaviours, which we'll implement across the Group during 2022.

## Cultural transformation: an ongoing journey

GRI F55

Since 2015, we've strived to ensure everything we do for our customers, employees, shareholders and communities is Simple, Personal and Fair. The standards we uphold across Santander are a clear indication of our ambition.

Guided by clear governance, our talented and engaged workforce enabled us to make great strides in strengthening our culture and values.

In 2021, employee commitment was 4 pp above the industry average at 80% (-2 pp from 2019 but up +10 pp from 2014). 78% of employees recommended working at Santander (-3 pp from 2019 and +7 pp from 2014). 88% feel their work has clear purpose (+1 pp from 2019), 10 pp above the industry average.<sup>A</sup>

A. Figures from the 2021 Global Engagement Survey. In 2020, the unusual circumstances caused by covid-19 led us to run a pulse survey with a sample of employees

## Culture plan 2021<sup>B</sup>

	Objectives	Achievements
<b>Diversity and inclusion</b> →	To foster a workplace where our people can be themselves and reflect the diverse society we live in	<ul style="list-style-type: none"> <li>We instituted global minimum parental leave of 14 weeks for one parent and 4 weeks for the other.</li> <li>26.3% of senior positions are held by women, up 2.6pp on 2020. Furthermore, 40% of members of the board of directors are women.</li> <li>We revised cultural diversity standards to get detailed insights into demographics and personal aspects.</li> <li>We carried out a gender pay gap analysis to draw up action plans in each subsidiary.</li> <li>We held global events for International Women's Day, International LGBT+ Pride Day and the International Day of Persons with Disabilities, which leaders and employees from many regions participated in.</li> <li>Santander featured as the world's highest-scoring bank in the 2022 Bloomberg Gender-Equality Index and was ranked among the 25 best companies to work for by Great Place to Work.</li> </ul>
<b>Speaking up</b> →	To make active listening our most effective tool	<ul style="list-style-type: none"> <li>We implemented the policy on <i>Canal Abierto</i>, our ethical channel, in the Group's core geographies.</li> </ul>
<b>Acting responsibly towards our customers</b> →	<p>To provide our customers with the best service and leading the banking industry in customer satisfaction.</p> <p>Enhancing our responsible business practices and our service model for vulnerable customers</p>	<ul style="list-style-type: none"> <li>We strengthened our "customer-obsession" culture and reviewed our pricing techniques to check if they were cost-effective, resilient to risk and useful.</li> <li>We continued to implement our model for managing vulnerable customers across the Group. We created working groups to share best practices.</li> <li>We instituted special indicators for the entire Group to monitor conduct risks with customers as part of our Excellence plan for recoveries.</li> <li>We enhanced our process for validating ESG products.</li> </ul>
<b>Responsible procurement</b> →	To strengthen our commitment by continuing to review our suppliers based on ESG standards	<ul style="list-style-type: none"> <li>We conducted an ESG review of the top 200 high-risk suppliers in our geographies and developed special plans to work with each one and aid its ESG transition.</li> <li>We approved the plan to broaden our review pool to 1,000 suppliers.</li> <li>We began to adopt ESG standards in sourcing products and services.</li> </ul>

B. For more details on diversity and inclusion and speaking up, see section '[A talented and engaged team](#)'. Further information on the Simple, Personal and Fair approach towards customers and suppliers can be found under the '[Acting responsibly towards customers](#)' and '[Responsible procurement](#)' sections respectively.

## Risk Pro: our risk culture

SASB FN-CF-230a.2, FN-CF-230a.3

The Group's risk culture is called Risk Pro (known as "I AM RISK" in the UK and the US). It's a core element of both our corporate culture, The Santander Way, and our purpose to help people and businesses prosper. Risk Pro makes risk management "Everyone's business" (the initiative's motto). It's the responsibility not just of the Risk and Compliance and conduct functions but of all employees as well. The risks Santander employees must manage everyday can relate to finance, operations, conduct, compliance, cyber security, reputational, fraud, financial crime and climate. It's everyone's responsibility to stay alert and know how to recognize, control and report them. Our performance review system, MyContribution, assigns Santander employees a common risk objective, which is 10% of their review.

### Promoting and enhancing our risk culture

Our risk culture is embedded in all stages of the employee cycle (hiring and onboarding, career development, daily tasks, reward and recognition). Constant communication, leading by example, support from senior management and speaking up are key to assimilating Risk Pro within the Group.

In 2021, all subsidiaries made progress with implementing the Target Operating Model for risk culture. Created in 2020, it draws on best practices to strengthen our risk culture. In November, we celebrated Risk Pro Month at the Corporate Centre; we also had our first global Risk Pro Week with the participation of the top management and our main geographies and global businesses to raise employees' awareness of the importance of risk management in their day-to-day.

We also ran training activities to develop the required skills of our employees on strong risk culture behaviours. The Group launched Dojo, a new learning platform that will significantly boost employees' understanding about risks.

To better assess the strength of our risk culture across the Group, we also revised questions on the risk profile assessment (RPA) and the Global Engagement survey as well as the indicators on the Risk Pro dashboard to enhance them.

Aside from our globally distributed e-magazine, *Risk and C&C* e-zine, we set up a Risk Pro community on Santander Now and opened many risk-themed channels (such as Supplier risk management and Credit Planet) to boost awareness of the importance of risk management.

# risk pro

## Everyone's business



For more details on environmental and social risks, see section [10. Climate and environmental risk](#) in the 'Risk Management and compliance' chapter.



For more details on our prevention of corruption, bribery, money laundering and terrorism financing, see [section 7.2. 'Compliance and conduct risk management'](#) in the 'Risk management and compliance' chapter.



For more details on MyContribution model see 'Performance review and remuneration' in ['A talented and motivated team'](#) section.

## Active listening

GRI 102-17

Speaking up and truly listening are integral to our corporate culture. Our ethical channel, *Canal Abierto*, is the main tool in our active listening strategy for all our stakeholders. It is available in our core geographies and enables us to learn about potential financial and accounting mistakes, or violations of our corporate behaviours, internal regulation or the law, which our employees, customers, shareholders and member of the community can report to us anonymously and confidentially. It's accessible online or by phone, in several languages and available 24 hours a day, seven days a week.

In addition to *Canal Abierto*, the Group practices active listening through its customer assistance and complaints channels, employee and supplier surveys and other tools. Active listening is effective in our cultural transformation, where ethics, honesty and responsibility should always characterize everything we do.



More details on our employee active listening in ['A talented and motivated team'](#) section.



More details on our customer active listening in ['Acting responsible towards customers'](#) section.



More details on our supplier active listening in ['Responsible Procurement'](#) section.



# Conduct and ethical behaviour

## General code of conduct

The General code of conduct (GCC) sets out the ethical principles and values all Santander employees must demonstrate. They include equal opportunity, diversity and non-discrimination, respect for people and collective rights, work-life balance, and social and environmental responsibility. The Compliance and conduct function is in charge of administering the code and promoting a culture of ethics and compliance within the organization. The Internal audit function regularly reviews compliance with the GCC's rules and procedures. Furthermore, it acts independently to verify that the code and its locally-adapted versions are appropriate and effective.

### Training

Every year, all our employees undertake mandatory training on the GCC.

In 2021, we launched a new course called "Your conduct matters". Employees can brush up on the conduct rules they must follow in their day-to-day and learn why their conduct matters in helping the Group avoid criminal liability; managing conflicts of interest; and receiving courtesies from third parties.

We also have "Corporate defense", a programme to prevent criminal risks to the Group. Every year, each Compliance unit conducts a risk assessment on whether the actions employees take on the Group's behalf are unethical or infringe internal or external regulation and become a liability to the Group. It considers inherent risks and the unit's control environment with recommendations or action plans for specific areas for improvement.

We also launched a programme in our core units about competition. It is based on international standards and best practices recommended by competition authorities.

### Key initiatives

To strengthen and promote our ethics and compliance culture, we ran these initiatives:

- #yourconductmatters: Employee awareness campaigns via email, Intranet and other means to boost understanding of the General code of conduct and its implementing regulation.
- Answering employees' queries on ethics and rules in the GCC.
- Analysing and managing conflicts of interest between employees or directors and the Group, and giving recommendations to avoid them.
- Handling complaints received through our ethical channel, *Canal Abierto*, enhancing processes based on lessons learned.
- Setting common principles and guidelines on receiving courtesies or invitations from third parties, including the obligation to register them. No courtesy should be worth more than 150 euros.

### Procurement management policy

Santander's Procurement management policy sets out the principles and lines of action employees who procure goods and services and negotiate with suppliers must follow. It requires, at all times, transparent, objective and balanced decision-making, avoidance of conflicts of interest; and protection of confidential information.



For more details see section [7.2. 'Compliance and conduct risk management'](#) in the 'Risk management and compliance' chapter

### Code of Conduct in Securities Markets

Santander's Code of Conduct in Securities Markets (CCMV) is our main policy on market abuse risk management and control. It sets out the standards board members, directors and employees must abide by when handling sensitive information or trading in securities markets on their own behalf. It outlines the necessary controls and transparency to safeguard the interests of the Group's investors as well as market integrity.

The last updated version that the board of directors approved in June 2020 includes the minimum market abuse risk standards our units trading in securities markets must consider.

Our core units have tools to help detect potential market abuse and ensure the consistent management of those risks across the Group.

According to CCMV guidelines, those subject to it receive regular training on market abuse. Furthermore, once a year they verify their understanding of key obligations and the penalties that Santander and its employees could face if they fail to fulfil them.

### Financial Crime Compliance (FCC)

GRI 103-1, 103-2, 103-3 and 205-2  
SASB FN-AC-510a.1, FN-CB-510a.1, FN-IB-510a.1

#### FCC on vulnerable customers

The new Financial Crime Compliance Customer Lifecycle Due Diligence Procedure, approved in late 2020 and transposed across the Group in 2021, includes a section on vulnerable customers. The procedure reinforces the Group's commitment to "reducing the stigma associated with the provision of financial services to vulnerable customers" and provides a compliance framework for Santander business units to follow in meeting this commitment while mitigating financial crime risk responsibly.

### FCC on anti-bribery and corruption

In 2021, the board of directors approved a more extensive FCC Corporate Framework. Its scope of financial crime risk includes bribery and corruption. It sets out essential details of the Group's anti-bribery and corruption ("ABC") programme, including required processes and controls to manage bribery and corruption risk with third parties, sponsorships, charitable and political donations, joint ventures and principal investments, travel, gifts and courtesies, marketing, employment, and work experience.

#### FCC on training

As part of the Group's strategic FCC transformation plan, we redesigned the required computer-based introductory training module. It features case studies on compliance challenges regarding product innovation and international sanctions; lessons on environmental crime, human trafficking and child exploitation online, drug trafficking, and terrorist financing.

Also, as part of the more extensive FCC Corporate Framework, we launched an upskilling initiative for the corporate FCC function, with several in-depth, face-to-face (virtual) training sessions with external and internal experts in bribery and corruption, tax evasion, complex ownership structures and payments infrastructure and other areas.

Our courses have a self-assessment to ensure understanding of key financial crime risks and policy requirements. In 2021, 164,547 employees were trained.



For more details on financial crime compliance, see section [7.2. 'Compliance and conduct risk management'](#) in the 'Risk management and compliance' chapter

## Environmental and social risk management

GRI 102-11, 413-2, FS10 and FS11

We embed environmental and social standards in risk management to support sustainable and inclusive growth, uphold human rights, preserve the environment and aid the transition to a low-carbon economy.

Our Environmental, social and climate change risk management policy sets out the standards for investing in, and providing financial products and services to, companies and customers who engage in sensitive activities in the oil and gas, power generation, mining and metals, and soft commodities industries (especially retail customers involved in farming and ranching in the Amazon). We review customers in credit risk, insurance, advisory, equity and asset management transactions (especially in the corporate and investment banking (SCIB) segment).

We analyse customers subject to the policy with a detailed questionnaire that their assigned banker completes before a team of analysts conducts an overall assessment of their environmental and social (E&S) risks (which we update every year). We also analyse one-off, project-related transactions in accordance with the Equator Principles and such international regulations as the IFC Performance Standards. Following our environmental and social due diligence of projects, we set out corrective measures based on their risk rating.

We apply our Environmental, social and climate change risk management policy in conjunction with our Human rights policy. In addition, the Social and environmental risks and Compliance departments carry out extra due diligence on cases with red flags. In 2021, we ran extra due diligence on customers in an industry and region with human rights concerns (namely forced labour).

The findings, which provide further input for decision-making, are submitted to risk approval committees.

In 2021, we began to consider social and environmental components in our credit quality analyses of customers in the SCIB segment.

We created a multidisciplinary team to help enhance the identification, remediation and mitigation of social and environmental risks (including human rights), analyse customer engagement throughout their relationship with us, spot deficiencies and implement action plans.

Moreover, the Group follows the precautionary principle, analysing and managing key environmental risks throughout the value chain as well as considering the direct impact on the assets where we operate and the indirect impact stemming from our activity.



For more details on environmental and social risk management and climate risks, see ['Risk management and compliance'](#) chapter of this report.



Our environmental, social and climate change risk management, human rights and sustainability policies are available on our corporate website [www.santander.com](http://www.santander.com).

### Equator Principles

We have applied the Equator Principles to all project-related transactions (especially project finance) since 2009 and promote them through the Equator Principles Association working groups to make sure every project we're involved in meets the expected sustainability standards.

In 2021, we analysed 63 projects that fall within the scope of the Equator Principles (see table with the categorization of projects according to the Equator Principles in the ['Key metrics'](#) section of this chapter).

### Tackling environmental crime

The principle of nature conservation extends to all the Group's units. The Financial crime compliance function understands the importance of recognizing that "behind every environmental crime there is a financial network", not only because of the large sources of revenue that organized crime draw from these activities, but because crimes like illegal deforestation have a significant impact on carbon sequestration. Industries we consider "restricted" due to exposure to environmental crime risk include (but are not limited to) logging, pulp and paper mills, palm plantations, commercial fishing, trapping and transport of live animals and waste management. Given their "restricted" status, Santander entities that provide services to companies in those industries must respond to their elevated financial crime risk by implementing enhanced controls. Furthermore, our customer screening tools include specific terms on environmental crimes to help us flag issues and conduct assessments, and our global and in-person senior management training also includes environmental crime case studies and trends.

We engage in several public-private partnerships as part of our commitment to detect, disrupt and deter environmental crime. In 2021, our Financial crime compliance function was the chair of the United Nations Office on Drugs and Crime's (UNODC) Private Sector Dialogue on Disruption of Financial Crimes Related to Forestry Crimes, which brought together financial institutions, authorities, investigative law enforcement units and supranational governmental bodies to discuss intelligence sharing, typologies and policy strategies on disrupting the financial crime networks behind illegal deforestation. The inter-governmental Financial Action Task Force (the FATF – the "global money laundering and terrorist financing watchdog") also asked the function to represent the private sector in an awareness-raising, global webcast on environmental crime. Santander also remains an active member of the United for Wildlife's Financial Taskforce against illegal wildlife trade.

## Santander and the Brazilian Amazon

GRI 304-3

Santander is committed to protecting the Amazon rainforest, while helping promote sustainable development and practices.

Deforestation in the Brazilian Amazon has been taking place over several decades: logging, mining, property speculation, lack of clear land titles and large infrastructure projects in the region have all played a role.

Given the growing concerns about climate change and biodiversity conservation; our global policy on environmental, social and climate change risk management; and our commitment to the Equator Principles, we take additional care when lending to Brazilian clients with operations in the Amazon:

- All loan requests by farmers and ranchers to Santander Brasil are checked for embargoes issued by the government because of illegal deforestation. In the first quarter of 2022, we will have the capability to check, on a daily basis, whether there was deforestation on the

farms and ranches to which we had granted loans. This daily verification will last for the duration of each loan, which will also be screened to make sure the properties do not overlap with indigenous peoples' officially-recognized land.

- Clients' practices in Brazil are reviewed regularly. We conduct annual ESG reviews of more than 2,000 customers, including beef processors, soy traders and logging companies.

- Looking ahead, we expect beef processing clients in the Amazon to have a fully traceable supply chain that is deforestation-free by 2025, including indirect suppliers of cattle, as a prerequisite for granting credit.



Find more information about our "Santander and the Brazilian Amazon", on our corporate website [www.santander.com](http://www.santander.com)

## Human rights protection

GRI 412-2

Santander commits to respecting and upholding the human rights of our employees, customers, partners and communities when doing business. As a financial institution, we operate according to our internal framework on human rights as well as the international standards we are subject to.

Our board-approved Human rights policy, based on the highest international standards (especially the 2011 United Nations Guiding Principles on Business and Human Rights), sets out our responsibilities in terms of commitment, due diligence, access to remedy and claim. Our Human rights policy is consistent with our General code of conduct, Consumer protection policy, Corporate culture policy and Environmental, social and climate change risk management policy. It sets out Santander's standards and commitments to uphold and defend these human rights:

- Zero tolerance towards employee, customer and supplier discrimination, forced labour and child exploitation.
- Freedom of association, collective bargaining, health and satisfactory employment conditions.
- Support to communities in collaboration with government agencies, civil associations and other organizations to ensure a clean, healthy environment and help stamp out corruption.

In 2021, we launched an introductory course on sustainability and ESG for all Santander employees that highlights the importance of human rights. In addition, we embed ESG criteria in all our processes and activities and make sure our policies uphold human rights.



Our human rights policy is available on our corporate website [www.santander.com](http://www.santander.com).

## Principles of action in tax matters

GRI 103-1, 103-2, 103-3, 207-1, 207-2, 207-3

Santander pays its fair share of taxes in the jurisdictions where we operate. Our board-approved tax strategy (available online) sets out the principles that apply to the entire organization.

All the group's entities must comply with its tax risk management and control system in accordance with the internal control model.

Since 2010, we've abided by the Code of Good Tax Practices in Spain and by the Code of Practice on Taxation for Banks in the United Kingdom. Furthermore, we've participated in cooperative compliance initiatives led by various tax authorities. Since 2015, we've voluntarily submitted the annual Tax Transparency Report to Spain's Tax Authority.



For more details on Grupo Santander's tax strategy, visit our corporate website [www.santander.com](http://www.santander.com).

## Core principles of Santander's tax strategy

- Satisfy our tax obligations based on a reasonable interpretation of tax laws, grounded on their spirit and intention.
- Respect the rules on transfer pricing and pay taxes in each jurisdiction in accordance with our functions, assumed risks and profits.
- Not give customers tax advice or planning strategies when marketing and selling financial products and services.
- Communicate Santander's total tax contribution clearly, distinguishing between taxes borne by the Group and by third parties for each jurisdiction.
- Not create or acquire entities registered in offshore jurisdictions without board of directors' approval; and adequately monitor and gradually reduce the group's operations in such territories.<sup>A</sup>
- Maintain a good working relationship with tax authorities based on the principles of transparency and mutual trust to avoid disputes and minimize litigation.

A. By the end of 2021, we had one subsidiary and three branches in offshore jurisdictions, having liquidated a subsidiary in Isle of Man. See detailed information on offshore entities in note [3 c\)](#) to the consolidated financial statements.

## Tax contribution

To contribute to the communities in our geographies, we pay all taxes borne directly by the Group (taxes paid by the Group<sup>B</sup>) and collect others' taxes originating from our business operations (taxes from third parties<sup>C</sup>).

In 2021, our tax contribution totalled EUR 16,178 million, including EUR 7,617 million in taxes directly paid by the Group.

For every 100 euros in total income, EUR 34 are taxed, including:

- EUR 16 in taxes paid directly by Santander.
- EUR 18 in taxes collected from third parties;

The taxes recorded in our annual income statement mainly stem from corporation tax accrued during the accounting period (EUR 4,894 million in 2021, which represents an effective rate of 33.6%, or, deducting the extraordinary results, EUR 5,076 million, which represents an effective rate of 33.3%<sup>D</sup>). They also include non-recoverable VAT, employers' social security contributions and other charges, including those that are exclusively levied on banks and financial transactions (such as in Spain, the UK, Poland, Portugal, Brazil and Argentina). These taxes are recorded as they are generated, irrespective of when payment is made.

The taxes Santander pays directly (see table below) are included in the cash flow statement. The tax rate when comparing the corporate income tax paid (EUR 4,012 million) with the Group's pretax profit is 27.6%. Additionally, total taxes paid directly by the Group amounts to 52% of the profit before tax.

The taxes we accrue and the amounts we pay do not usually match because the laws in some countries dictate a different payment date than when income was generated or an operation was taxed.

We pay taxes in the jurisdictions where we earn a profit. Thus, the profits obtained, and the taxes accrued and paid, correspond to the countries where we operate.



For more details on the country by country report requested on GRI 207-4, see [Key Metrics](#) in this chapter.

B. Including net corporation tax payments, VAT and other non-recoverable indirect taxes, employer's social security contributions and other withholding taxes, as well as other charges and tariffs.

C. Including net payments for salary withholdings and employees' social security contributions, recoverable VAT, tax deducted at source on capital, non-resident taxes and others.

D. See notes 27 and 51c of the consolidated annual accounts.

## Tax disclosure by jurisdiction

EUR million

2021

Jurisdiction	Corporate income tax <sup>E</sup>	Other taxes paid	Total taxes paid by the Group <sup>F</sup>	Third-party taxes	Total contribution
Spain	399	1,308	1,707	1,341	3,048
UK	525	458	983	475	1,458
Portugal	17	202	219	281	500
Poland	206	198	404	134	538
Germany	204	53	257	175	432
Rest of Europe	329	259	588	54	642
<b>Total Europe</b>	<b>1,680</b>	<b>2,478</b>	<b>4,158</b>	<b>2,460</b>	<b>6,618</b>
Brazil	1,385	363	1,748	1,712	3,460
Mexico	207	248	455	699	1,154
Chile	180	66	246	274	520
Argentina	115	272	387	2,626	3,013
Uruguay	27	76	103	27	130
Rest of Latin America	32	6	38	8	46
<b>Total Latin America</b>	<b>1,946</b>	<b>1,031</b>	<b>2,977</b>	<b>5,346</b>	<b>8,323</b>
United States	376	94	470	749	1,219
Other	10	2	12	6	18
<b>TOTAL</b>	<b>4,012</b>	<b>3,605</b>	<b>7,617</b>	<b>8,561</b>	<b>16,178</b>

E. The Group's income taxes for the year 2020 amounted to EUR 2,946 million

F. Total own taxes paid for all these concepts amounted to EUR 7.6bn, broken down as EUR 4,012 mn in Corporate Income Tax, EUR 1,048 mn in non-recoverable VAT and other sales taxes, EUR 1,380 mn in employer-paid payroll taxes, EUR 142 mn in property taxes, EUR 304 mn in bank levies and EUR 731 mn in other taxes.



## Ethical channels

GRI 205-3 and 406-1

*Canal Abierto* is our global ethical, anonymous and/or confidential, channel for reporting misconduct. It protects whistleblowers by expressly prohibiting reprisals or any negative consequence against them. Every unit in the Group administers its own ethical channel in its local language according to the common standards of the corporate *Canal Abierto*.

Minimum standards include:

- subsidiary CEOs' endorsement of the ethical channel;
- employees' awareness of the importance of using the channel;
- reporting to the Group about management, action and improvement plans;
- guarantee of easy platform access and anonymity (if desired);
- use of external platforms to receive reports according to best practice;
- mechanisms in place to manage conflicts of interest in internal investigations of reported cases; and
- internal audits of the channel.

These standards are included in our *Canal Abierto* policy, which we approved in 2020 and implemented in our core markets in 2021.

*Canal Abierto* is mainly set up to receive reports from employees; however, it's open in some subsidiaries to third parties (e.g. suppliers, customers, investors and other interest groups), who cannot use it to submit complaints or queries.

All incidents reported through *Canal Abierto* are handled appropriately, even if they are found to be unsubstantiated. *Canal Abierto* and its common standards help create an environment where employees can feel free to speak up and report what is not up to par so appropriate action can be taken to handle it. Thus, the implementation of *Canal Abierto* standards and the many actions taken correlate with the better Speak Up results from the Global engagement survey.

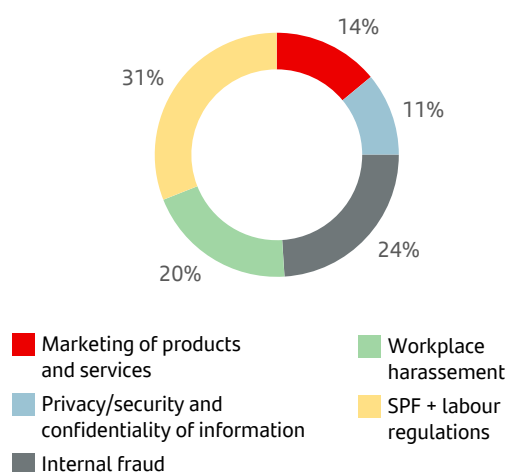
In 2021, we received 4,338 reports on the Group's channels. Of the 3,628 that had been well founded to merit investigation, 1,196 led to disciplinary action and 312 resulted in dismissal. The average processing time was 42 days.

By category, the main concerns were related to corporate values (SPF) and behaviours and to labour regulations, followed by internal fraud, workplace harassment and marketing of products and services.

In 2021, 79 equal opportunity and non-discrimination complaints were received in the Group, 8 of which resulted in disciplinary action, including 3 dismissals.

We received reports of five alleged cases of corruption in the year. Following a subsidiary-wide investigation, the allegations were deemed unfounded, resulting in no disciplinary or other actions.

## TYPES OF ISSUES RECEIVED



	2021	2020
Issues received	4,338	4,390
Issues deemed well-founded for investigation	3,628	3,787
Disciplinary actions	1,196	1,083
which led to dismissal	312	315

## Relations with political parties

Santander is committed to principles of transparency, honesty and impartiality in its interactions with political parties and other entities with public and social purposes that are also political in nature.

Since 2016, our board executive committee-approved policy on financing political parties (available on our corporate website) has applied to all our subsidiaries worldwide. It prohibits making monetary or in-kind election donations and contributions. In commercial relationships, Santander prohibits full or partial debt forgiveness for political parties and their affiliates. Even though they can negotiate the terms of debt, the interest rate can never be below market rate. Furthermore, the policy applies to political parties' electoral candidates to the extent local laws provide.

Santander did not make any donations or contributions to political parties in 2021.

# A talented and motivated team

We want to be an employer of choice because of our purpose, culture and responsible way of achieving great results. Our strategy is based on three pillars.

Promoting a diverse and inclusive workplace that fosters employee wellbeing



Focusing on the employee is pivotal to our cultural transformation and our strategy

Ensuring we have the right talent and skills



Attracting and retaining the best talent and encouraging our people to learn and develop enables us to provide a better service

Providing work-life balance and job efficiency solutions



Delivering the best work experience boosts our efficiency and productivity

## Our goal

Treating our employees responsibly builds stronger teams willing to go the extra mile for our customers and guarantees the returns our shareholders expect. That way, we can invest more in our communities while making our people proud to be part of Santander in a virtuous circle of loyalty that drives our success.

**In 2019, we set out to be among the top 10 companies to work for in 6 of our geographies by 2021.<sup>A</sup>**

A. According to a leading external source in each country (Great Place to Work, Top Employer, Merco, etc).

## Achievement in 2021



**Top 10**

company in  
6 geographies<sup>B</sup>

B. Spain, Argentina, Uruguay, Mexico, Brazil and Chile, using the latest publications.

## A diverse and inclusive workplace

We focus on creating a diverse and inclusive workplace that promotes employee experience and well-being. We listen to their concerns and measure our performance through engagement surveys and external ratings.

### Santander, a great company to work for

Santander ranked for the third consecutive year among the world's 25 Best Workplaces by Great Place To Work (GPTW). The bank stood out from over 10,000 companies in 92 countries that foster exceptional employee experiences centred on trust and fair treatment. Santander, coming in at number 24, is the only bank in the ranking.

GPTW recognized Santander as the best company to work for in Chile and ranked us in the top 3 in Argentina and top 6 in Uruguay. Santander Argentina was ranked among the top companies for women, while Santander Brasil was named the best employer for the LGBT+ community.

Santander also received the Top Employers Europe 2021 certification for the fifth consecutive year. It acknowledges excellence in the working conditions the bank provides for its employees and its contribution to their personal and professional development. Only four banks in the world, including Santander, have been awarded the European certificate.

Santander received the certificate in three of its main markets in Europe (Spain, Poland and the UK) and its Santander Consumer Finance units in Germany, the Netherlands, Austria, Poland and Belgium. It also obtained this distinction in Chile.



## Diversity and Inclusion

GRI 103-1, 102-35, 102-38, 102-39, 103-2, 103-3, 405-1, 405-2  
SASB FN-AC-330a.1, FN-IB-330a.1

In line with the diversity, equity and inclusion (DE&I) strategy we defined in 2020, we continue to cultivate a workplace where our people can be themselves and reflect the diverse society we live in.

Our structure enables us to manage diversity properly, ensure compliance with policies on this matter and promote these initiatives:

- **Global executive DE&I working group**, which brings together senior positions from all our geographies regularly to review results, propose initiatives and drive internal change.
- **Global DE&I team**, which draws up global initiatives, coordinates the teams involved and acts as liaison for the subsidiaries and businesses.
- **Local DE&I teams** in each subsidiary and business, which are responsible for implementing strategic plans and initiatives locally as well as sharing best practice.

Through them, we followed these strategic pillars in 2021:

- **Involving our leaders:** Their commitment to openness, inclusion and diversity will help strengthen a diverse and inclusive culture. In 2021, our directors received DE&I global mandatory training and 31% connected to webinars that delved deeper into those topics.
- **Raising awareness:** Promoting diversity through global standards and actions, such as flexiworking, parental leave, training, employee networks and celebrating international days.
- **Promoting equality:** Special focus on increasing the number of women in senior positions and on development programmes.

54%

of employees are women  
+0.7 pp vs 2020

26.3%

of senior positions are held by women<sup>A</sup>, +2,6 pp vs 2020

38.6

Average age of the  
workforce, -0.6 pp vs 2020

1.9%

of employees have a disability<sup>B</sup>,  
+0,01 pp vs. 2020

Data at year end.

A. Senior positions are 1% of total headcount

B. Data from Mexico not included as it is confidential information.

86%

of employees believe Santander treats employees fairly regardless of their age, family, marital status, gender identity, disability, race, colour, religion or sexual orientation. -1 pp vs 2019.<sup>C</sup>

C. 2021 Global Engagement survey.

## Initiatives and achievements in 2021

## Gender

- 26.3% of Group senior positions are held by women, up 2.6 pp from 2020. For this, we focused on our talented women pipeline with a large group destined for future promotion.
- We introduced a new *Faro* executive hiring process to ensure a diverse candidate pool and selection panel. 51% of employees promoted to the *Faro* category were women.
- Santander Women Network has around 5,500 members in 10 countries and is rolling out to another seven. In Spain and at the Corporate Centre, the number of men in the network climbed 140%.
- Our succession plans now include "bias champions" to make sure unconscious bias does not affect decision-making.
- 8,600 people in nine countries connected to our International Women's Day event, which they rated 8.8 out of 10.
- We ran women's mentoring and development programmes in almost all our geographies.
- In our Corporate Centre, we launched Liderazgo Responsable (Responsible leadership) to raise executives' awareness of the importance of promoting diversity and inclusion in their teams, among other key aspects. Participants were diverse in terms of gender, length of service, generation and role.
- In Brazil, "Promoting Women's Leadership" helped sharpen women managers' and executives' leadership skills. The programme focused on boosting their careers at Santander, creating a talent pipeline and paving the way to gender equality in senior management. Close to 200 women took part in 2021.
- In Poland, we ran the "IT with a female eye" initiative to encourage women to take on roles in tech.

Cultural  
diversity

- We published several videos featuring senior managers to highlight cultural diversity in decision-making and business as well as how unconscious bias can impact on our actions and decisions.
- At the Corporate Centre, we ran BeKind, a programme for 300 employees to help make Santander a place where everyone can be themselves and make the most of their potential.
- In the UK, launched the first "Accelerating You: Black Talent Programme" as part of our plan to double the number of Black managers.
- In the US, we continued to run "Through our eyes" events for employees to share experiences and ideas on racial and social injustice.
- Also in the US, we have several employee networks: Bold for Black employees; AAPPI for Asian-American and Pacific Islander employees; and Conexión for Hispanic employees. They all held numerous events in 2021.

## LGBTB+

- Santander's network for LGBTB+ employees, Embrace, has been active in Brazil, Mexico, Argentina, the UK, the US and at the Corporate Centre for several years. In 2021, we rolled it out to Santander Portugal, Santander Polska and to Santander España, which took second prize in the TOP LGBTB+ Diversity Company category at the INTRAMA diversity and inclusion awards.

We ran these initiatives in 2021:

- 2,850 employees joined our global Pride Day event, which representatives of the Embrace network from four countries helped organize. We also ran local events in our geographies to celebrate Pride Week.
- At the Corporate Centre, a Guide to leave for pregnancy, birth and child adoption was created for employees.
- During Pride Week, we held events and issued communications in Argentina, Mexico, Spain, Poland, Portugal, UK and the US as well as at SCF, Openbank and the Corporate Centre.

## People with disabilities

- Global mapping to share subsidiaries' best practices for people with disabilities.
- Recruitment targets for people with disabilities and internship programmes to spot talented people early.
- Hiring of people with neurodiversity.
- Volunteering and mentoring for people with disabilities.
- Scholarships to increase access to education for students with disabilities.
- Creation of networks for employees with disabilities.
- Awareness campaigns.
- Conformance with WCAG 2.0 Level AA accessibility standards for approving Santander websites and apps.



For more details on our D&I initiatives, see the **Diversity and Inclusion report** in our corporate website.

## Gender equality

Santander fosters equal opportunity between men and women. While women make up 54% of our workforce, their presence in senior positions is less. We're taking action to have more women at all levels of senior positions.

In 2021 we instituted global minimum parental leave of 14 weeks for one parent and 4 weeks for the other.

We're also taking measures to fight sexual harassment, which our code of conduct addresses explicitly, and have an **equality plan in Spain with rules** to prevent sexual harassment and gender-based disparities.

## Equal pay

GRI 102-35

In 2021, we adapted our global equal pay policies to make them neutral and eliminate gender-based disparities. We also amended our policies on remuneration, performance management and succession planning.

Our strategy attaches importance to equal pay between men and women, which we measure in terms of pay gap and equal pay for equal work.

### Women members on our board

Our target:  
**40-60%**  
in 2021

Our progress:  
**40%**

### Women in senior positions<sup>A</sup>

Our target:  
**30%**  
in 2025

Our progress:  
**26.3%**

### Equal pay gap

Our target:  
**0%**  
in 2025

Our progress:  
**1%**

A. Senior positions are 1% of total headcount.



Grupo Santander features in the Bloomberg Gender-Equality Index and is its highest-scoring bank

## Gender pay gap: 32.3%

### What it measures:

The gender pay gap measures differences in compensation between women and men in an organization, business, industry or the broader economy, irrespective of the type of work. At Santander, fewer women hold senior and business management roles than men (something we are focused on addressing), while more women work in retail banking and support roles.

We calculate the gender pay gap as the difference in the median remuneration paid to male and female employees, expressed as a percentage of the male remuneration. Our remuneration schemes factor in base salary and variable pay, but not corporate benefits/in-kind compensation or local allowances.

### Our progress:

Santander addresses the gender pay gap with a methodology based on best practices and common guidelines for the Group and local units. We maintain rigorous standards for promotions, recruitment, succession planning, implicit bias training and talent pipelines to strengthen diversity, with communications from executives as well as mentoring, networking and other actions aimed at achieving greater balance in the organization. Local units have action plans in place based on their own characteristics and conditions.

The gender pay gap was slightly wider than last year (31.7% in 2020) because of the greater pay difference between new hires and leavers<sup>A</sup> owing to the general under-representation of women in STEM<sup>A</sup> fields and to our higher ratio of women to men selected to fill non-executive and support roles.

A. STEM: Science, Technology, Engineer and Mathematics.

## Equal pay gap: 1%

### What it measures:

The equal pay gap gauges the difference "equal pay for equal work" for women and men in the same job at the same level. Our comparison does not consider certain factors, such as tenure, years of service, previous experience and background.

### Our progress:

Santander set up fair pay programmes to reduce the equal pay gap (our target is 0% in 2025). They include systematic reviews tied to remuneration cycles (merit-based promotions and bonuses), work reorganization and career development plans to recruit, engage and retain diverse talent.

Our equal pay gap, which stood at 1.5% in 2020, declined this year as a result of our strong commitment and wide-ranging action plans across the organization.

We continued to make progress in standardizing the criteria of our approach in all geographies and increasing the headcount of the segment we analysed. We will continue conducting robust reviews and analyses of pay data to detect, understand and act on any gaps.



## People with disabilities

GRI FS14

Our diversity, equality and inclusion strategy sets two objectives for the inclusion of people with disabilities:

- To meet (or exceed) the legal quota for employees with disabilities, raising their 2019 headcount by 1% in countries without a legal quota by 2025<sup>A</sup>.
- To comply with local accessibility laws and make sure all new digital products meet the Web Accessibility Initiative's (WAI) WCAG 2.0 Level AA standards.

Santander has networks for employees with disabilities in Argentina, Mexico, Spain, the UK, the US and our Corporate Centre. In 2021, on top of local celebrations in our geographies, we held a global event to mark International Day of Persons with Disabilities, with employees from Argentina, Brazil, Spain, Portugal and the UK. 954 people connected to our global event.

A. This objective exempts countries where it is not legal to collect disability data.

In 2021, despite the organizational changes that the Group has implemented in some geographies, the number of employees with disabilities remained at 1.9%.

Fundación Universia is a core partner in Santander's efforts to include people with disabilities. We work closely to make Banco Santander a more diverse and inclusive bank.

We also collaborate through volunteering in other programs of guidance for people with disabilities: Speaking without frontiers, InMentoring Programme, Digital Mentoring, Families helping families, adapted bicycles.



For more details on our D&I initiatives, see the **Diversity and Inclusion report in our corporate website**.



For more details on Fundación Universia see 'Supporting higher education' or ['Support to higher education and other local initiatives'](#) in this chapter or go to [www.fundacionuniversia.net](http://www.fundacionuniversia.net).

## 2021 Initiatives



In Brazil, #Diversiprática helps university students with disabilities and the Black community through a foundation course for the CPA10 and CPA20 financial market certificates. We also launched an engagement plan that includes a welcome toolkit for employees with disabilities and their managers, as well as mentoring and training programmes.



Santander España devised an onboarding plan for people with disabilities at its branches and other plans for technology-based roles. It helped 30 people with disabilities join us in 2021.



In Argentina, the Inclúyeme ("Include me") programme promotes the employability of people with disabilities and assists companies in implementing social and labor inclusion strategies. Moreover, we hold 10 financial education talks for 200 people. We began using the Háblalo ("Talk about it") app at our branches to remove communication barriers, and undertook basic sign language training.



Santander Portugal renewed its partnership with Associação Salvador. Its "Destination: Employment" project promotes the employability of people with disabilities through guidance and empowerment of candidates, raising awareness among companies and identifying job opportunities. Five people were hired through the project.

The Bank also collaborates with the Portuguese Asperger's Syndrome Association (APSA) to promote the social and professional integration of people with Asperger's syndrome, hiring two people from it.

## Employee wellbeing

GRI 102-35, 403-2, 403-3, 403-5, 403-6, 403-9

In 2021, we appointed a global head of health and well-being to help draw up a strategy and implement it across our footprint. We also have local teams with around 60-70 members with their own organizational structure and resources that coordinate all our well-being initiatives.

We drafted our Global health and well-being policy, which will be available to the public in 2022. To ensure enforcement of the policy and to fulfil our strategic priorities, we began working on a global guide that will set standards on mental and emotional health, digital balance and other priority areas to be implemented by subsidiaries.

### Covid-19

As part of our Covid-19 response, we continued to enforce these prevention measures to make sure our employees stayed healthy:

- Masks, gloves and protective screens handed out to office and branch employees. We imposed strict personal hygiene policies and rearranged work spaces to accommodate social distancing.
- Remote working, especially for our most vulnerable employees in accordance with domestic and international authorities' recommendations. We offer equipment (e.g. office chairs, computer monitors and keyboards) and training (on ergonomics and stress) to make remote working more comfortable.
- Employee testing (153,000 in Spain alone) as part of our monitoring and back-to-the-office procedures.
- Information and training on Covid-19 prevention. Our corporate Intranet and all subsidiary and divisional platforms have a section for Covid-19 updates.
- Corporate monitoring plan in all our geographies in accordance with local authorities' guidelines, including employee health screening through apps, tests and questionnaires. Progress with the plan was reported to global and local executive and management committees.

92%

of employees believe everyone in their work environment is taking responsibility to comply with Covid-19 measures and procedures<sup>A</sup>

A. 2021 Global Engagement Survey

Since the outbreak of the pandemic, we've worked on several public and private initiatives (providing funding, resources and expertise) as a leader in the response to Covid-19. The public vaccination centre we opened at Santander Group City in July, August and September to benefit the Region of Madrid administered 57,575 vaccines with utmost care (NPS=97). The bank and its partners provided all human and material resources to the centre.

### Occupational health

GRI 103-1, 103-2, 103-3

On top of the measures we took to protect our employees, our collective bargaining and other industry and bank agreements include provisions on employee health and occupational risk prevention, such as check ups and testing on a regular basis or following prolonged absence.

We also work with employees' legal representatives regularly to revise our occupational risk prevention plans, which we implement through:

- regular workplace assessments of health and safety risks and preventative measures to eliminate or control them;
- considering prevention measures when designing, procuring or acquiring offices, furniture, equipment, products and IT equipment;
- work safety procedures, which the occupational risks prevention team perform alongside other units to spot potential risks to employees' health and to implement prevention measures.
- information and continuous learning for employees;
- embedding occupational risk prevention in all operations that may impact on employees' health and safety.

We have certifications on the security, quality and sustainability of our work environments based on national standards (e.g. Gold-level LEED O+M certification for our corporate offices in the US and ISO 14001 certification in Brazil). In 2021, we started the process to obtain ISO 45001 certification for our corporate centre, the Santander Group City.

2.8%

absenteeism<sup>A,B</sup>

9,519

thousand hours missed due to non-occupational illness and accidents<sup>B</sup>

0.04

Accident rate<sup>C</sup>



For more details on absenteeism data, see the ['Key metrics'](#) section in this chapter.

A. Days missed due to work-related accidents and non-occupational illness or accidents for every 100 days worked.

B. Santander UK does not count hours not worked due to covid-19 as absences so they will not affect the remuneration objectives set prior to the health crisis.

C. Hours missed due to occupational accidents involving leave for every 100 hours worked. Worked hours are theoretical. In-itine accidents are included

## BeHealthy

We're committed to being one of the world's healthiest companies. Our employees receive health and wellness benefits. We also raise awareness through our **global BeHealthy programme**, which celebrated its fifth year in 2021.

Its four pillars are: know your numbers; eat well; move; and be balanced. Every year, we set health and well-being objectives and priorities with an activities calendar and global strategies for our subsidiaries to implement.

In April, we held BeHealthy Week, with daily, in-person and virtual events that covered the programme's four pillars. The #SantanderBeHealthy campaign, launched by Executive Chair Ana Botín, top executives and our ambassador, Rafa Nadal, generated two million impressions on over 25 corporate accounts and through hundreds of employees.

Health was a key component of Santander Week in September, where all our subsidiaries ran initiatives to remind employees of the importance of health and well-being according to our four BeHealthy programme pillars.

We celebrated Global Mental Health Week in October, with all our subsidiaries and divisions taking part. 1,600 employees joined an online event with Yale University professor Laurie Santos, creator of the online course "The Science of Happiness".

All Group employees can access health-related platforms (like "Gympass" to use gyms) and apps for nutrition, mental health, physical health, exercise, meditation and other services free of charge or at bargain rates.

# 85%

of employees say Santander is taking appropriate steps to ensure employees stay safe and healthy<sup>A</sup>

A. 2021 Global Engagement Survey



**BeHealthy**  
Live fit, reach your potential

## Speak up - Active listening

GRI 406-1

SASB FN-AC-510a.2, FN-CB-510a.2, FN-IB-510a.2

We listen to our employees and encourage them to speak up. We act on their feedback, data and experiences and develop plans that will effect change. The many internal listening actions we take involve global and local employee surveys; performance reviews; exit interviews; incident monitoring; and our ethical channel, *Canal Abierto*.

Our active listening programme covered several topics in 2021, such as financial crime and Covid-19. Furthermore, 86% of our employees took a global engagement survey (GES) about the corporate purpose, the employee net promoter score (eNPS), Covid-19, streamlining processes and cooperation. We received poor marks on streamlining processes, cooperation and ways of working.

Still, it showed employees are committed to our purpose of helping people and businesses prosper; they feel Santander responded effectively to economic and business challenges in the pandemic with the right measures to ensure safety; and they recognize the strength of our risk culture and the flexibility Santander offers them to work remotely.

In 2021, we revised our global engagement survey and decided to conduct it every quarter.

# 86%

of employees agree Santander's response to economic and business challenges has been effective during the pandemic<sup>A</sup>

# 168,456

employees surveyed, of which 86% responded<sup>A</sup>

A. 2021 Global Engagement Survey



For more details, see 'Ethical channels' in '[Conduct and ethical behaviour](#)' in this chapter.

## Volunteering

The corporate volunteering standard in our Corporate culture policy entitles employees to spend a certain number of working hours each month or year volunteering. We also promote several initiatives to enable employees to participate in, and contribute to, social programmes and initiatives that the Group already supports.

We hold two important group-wide volunteering events for employees each year: Santander Week, observed in all our countries at the same time, and International Volunteering Day. Locally, the Group's subsidiaries organize multiple volunteering programmes as part of their community investment commitments.

In 2021, many of our collaborations continued to focus on alleviating the effects of the pandemic on the most vulnerable. We continued to run our usual volunteer programmes, always under the strictest sanitary measures. When we couldn't run them face-to-face, we delivered them virtually.

# +28,000

employees  
participating in  
community activities

# +46,000

hours volunteered



For more details on our social contribution to communities, see the ['Support to higher education and other local initiatives'](#) section in this report.

## Volunteering initiatives



In Uruguay, we continued to help clear beaches of plastic during the holiday season in Montevideo. Employees, their children and families were invited to lend a hand.



Finanzas para Mortales had 155 volunteer trainers from the bank; reinforced its digital activity; increased its training content; and broadened the groups to which it provides knowledge in basic finance. In total, it closed 2021 benefiting 75,320 people, 15% more than the previous year).



For the fourth time, employees of the Northern macro-region, in cooperation with the Santander Foundation, organized the "North Helps" run. 2,009 people, including employees, their children and friends, António Simões, the polish management board and the bank's senior management, took part. We raised a total of PLN 68,104.74.



In Chile, volunteers took part in the Santander Presente initiative to coach and mentor more than 120 adults in the process of passing their school-leaving exams.



In Argentina, the circa 300 employees who form part of the Financial Educators Network trained to be volunteers and give lectures on financial education to young people, entrepreneurs, adults, people with disabilities and other groups.



In Mexico, in collaboration with Fideicomiso Por los Niños de México, Todos en Santander, and through HR Virtual Volunteering, more than 5,000 people benefited from educational activities focused on the integral development of children. these activities are managed by the organizations the Fideicomiso supports.



In Portugal, 56 employees participated in the Junior Achievement programme, sharing their knowledge and experience with 997 students from the 1st to the 12th grade on topics such as citizenship, financial literacy and entrepreneurship. In addition, 11 employees participated in the Legal pro bono programme, providing free legal assistance to the non-profit organization Terra dos Sonhos.

## Ensuring we have the right talent and skills

Managing our talent lifecycle is critical to our business strategy. To understand future skills gaps and needs, we implemented the **Strategic Workforce Planning (SWP)** tool to help us to re-train and develop employees on a near constant basis.

We also launched **Dojo**, our continuous learning ecosystem available to all employees, and reached almost 100% in our roll-out of Workday.



### Talent attraction

GRI 103-1, 103-2, 103-3, 401-1 and 404-1

In 2021, Santander filled 35,000 vacancies worldwide (45% with women). We prioritized the career development of our people, filling over 70% of vacancies with internal candidates.

We digitalized and automated hiring processes through the "Selection" module on Workday in all our geographies (except at our US subsidiary, which will implement it from 2022). Having a single system enabled us to standardize hiring, share best practices and ensure a greater candidate experience. It also meant we could list vacancies in all the countries where we operate on our **Global Job Posting** portal, a new search engine that makes it easier to see the positions available in each country. We promote geographic and in-company relocations as a key means of cultivating talent.

### Attracting tech and digital professionals

Our recruitment teams prioritized the attraction of talented tech and digital professionals to help with the transformation of our businesses. In 2021, the Group filled over 8,500 STEM vacancies after running brand awareness campaigns on social media and in forums.

We ran the "Be Tech" programme with our IT and Communications divisions to position Santander as an attractive employer for STEM candidates. Among its stand-out initiatives were:

- "Be Tech Up", where 50 junior employees in digital roles became brand ambassadors through social media to promote the Group's technology projects. The contents they posted helped us gain thousands of followers on such networks as LinkedIn.
- "Women in Tech", which focused on attracting women to technology-based roles. The inaugural Women in Tech summit had over 1,000 participants.

### Talent management figures

	2021	2020
Total employees (thousand) <sup>A</sup>	197	191
% employees with a permanent contract <sup>A</sup>	97.6	97.9
% employees working full time <sup>A</sup>	94.3	94.9
Employees joining/leaving (turnover) <sup>B</sup>	20.0	12.6
% of workforce promoted	9.8	6.7
Average length of service (years) <sup>A</sup>	11.3	10.2
% coverage of collective agreements <sup>A,C</sup>	70.7	71.6

A. At year end

B. The increase in the external turnover rate is due to the restructuring processes carried out in 2021 in some of the Group's geographies.

C. The figure of % of employees covered by collective bargaining agreements in 2020 has been recalculated, considering SCF employees in the United States not covered by collective bargaining agreements.



For more details, see the ['Key metrics'](#) section in this chapter.

Our partnerships with the world's leading universities and technical schools enabled us to introduce future professionals to our value proposition. They are a key source of the talented young people we find in our scholarship and internship programmes.

We ran webinars, bootcamps, hackathons, training programmes and specialized talks by employees and senior managers at more than 70 universities and schools specializing in tech and digital learning.

## Career development

Continuous learning drives our transformation. We encourage employees to take charge of their career development. We provide them with the means to draw up their own personal development plan based on their ambitions. We strive and review all our diversity parameters to promote optimum diversity on our talent programmes.

Our main career development programmes in 2021 were:

- **Talent reviews** to assess employees' potential and support the professional growth of the most promising ones. For Europe, we carried out our "European Talent Review".
- **Succession planning:** Our strategic approach enables us to identify potential successors to key roles and provide them with career development opportunities, ensuring our future sustainability and success.
- **Top Talent**, to promote the development of over 130 managers with high potential. Participants assessed their skills and potential as leaders to come up with a career development plan. We're working on development plans for every *Promontorio* successor (over 230 talented people with high potential).
- **Young Leaders 2**, with 185 talented young employees from all our geographies and a diversity rating of 52%. It aims to create a strong talent pool, teach skills needed for the future and promote diversity and inclusion. It will last nine months and take place in the Young Leaders Smart City, a virtual, immersive space where they'll come up against several challenges.
- **Elevate**, is the new global learning ecosystem the Group launched in 2021 for all Faro and Solaruco executives. It is a hybrid executive education experience with first-rate activities led by renowned international experts to promote continuous learning and cooperation towards a common culture that will strengthen Santander's leadership.
- In addition, **other local programs** such as Open Mentoring at the Corporate Centre, Light your skills at Santander Consumer Finance Germany and Futuro in Poland were implemented.

## Corporate mobility

Driven diverse experiences are the best way to shore up skills and form diverse teams and multicultural leaders, so we promote geographical and functional re-location across our footprint. Though the pandemic affected international mobility in 2021, we sought to offer viable alternatives.

Our mobility initiatives were:

- **Global Job Posting** offers employees the chance to apply for jobs in other countries, companies and divisions of Santander.
- **Global career strategy.** We're working on a global career strategy to enhance our internal talent development, harness our worldwide presence and meet our businesses' challenges successfully.
- **Mundo Santander** has been one of Santander's flagship talent programmes since 2008. It supports the development of over 2,000 employees who have taken part in strategic assignments in other countries for 3 to 6 months. It promotes the sharing of best practice and the broadening of participants' global outlook. In 2021, we redesigned Mundo Santander so participants could work on international projects virtually. Though the programme will remain virtual in 2022, participants will be able to undertake a project in another country should public health conditions allow.
- We also launched an **awareness campaign to promote employees' international mobility**, with videos of real examples told by the people involved.



## Learning and development

GRI 103-1, 103-2, 103-3, 404-2

We value continuous learning so our employees can adapt to an ever-changing environment and help accelerate our transformation.

Our global learning and development policy sets the standards for designing, reviewing, launching, overseeing and enhancing training and development programmes to:

- support our business and cultural transformation in accordance with Santander's governance standards; and,
- foster innovation, knowledge sharing and transfer, and the skills employees need to perform their duties successfully as part of global talent management.

The three pillars of our employee upskilling and reskilling are strategic workforce planning (SWP), our current skill model and the strategic global business and countries needs. We review them every year to recognize common, high-impact skills and design learning solutions for our employees.

We promote our learning solutions on our digital ecosystem, Dojo, through study plans and "roadmaps" for learning. Dojo facilitates informal, interactive and structured ways of learning, combining many formats, settings and tools so every employee can choose what, when, how and how much to learn. It's designed to produce "lifelong learners".

Furthermore, each subsidiary's Learning and Development team pinpoints specific learning needs relating to its geography and designs training courses consistent with Dojo's standards.

After launching in 2020, Dojo had reached 63,700 employees in our main geographies by the end of 2021. It has four academies: Agile, Engineering Excellence, Cloud and Commercial (launched in 2021). It also offers 22 certifications, 26 channels and 24 learning programs launched in 2021 covering topics such agile, data, leadership, customer experience, cloud and digital transformation. Today, Dojo covers 252 skills with more than 72,560 learning activities.

Main Group data	2021	2020
Millions euros invested in training	75.1	61.3
Investment per employee (euros)	381.3	320.7
% employees trained <sup>A</sup>	99.0	100.0
Hours of training per employee <sup>A</sup>	30.6	30.9
Employee satisfaction (over 10)	8.5	8.2

A. Calculated considering the staff at the end of each year. The incorporation of both employees and entities to the Group at the end of 2021 fiscal year has a significant impact on the result of this indicator in comparison to 2020.



For more details, see the 'Key metrics' section in this chapter.

## Global training

Main initiatives:

- **The Risk Pro Banking School** promotes a strong, uniform risk culture. It runs the Advanced Executive Risk Programme, Key risks and Risk pro Insights workshops and specialized courses.
- **The Global Internal Audit School** offers practical solutions designed to adapt to business and regulatory changes.
- **The Technology and Operations School** continued to enhance its three key areas — Technology, Operations and Cyber security — (updated to key position programmes) and made its core contents available to the entire Group on Dojo (Agile Academies, Engineering Excellence and Cloud, Channels and Badges).
- **Mandatory global online training** ensures we deliver a high level of service, and helps us comply with financial regulation and avoid penalties from external regulators. It's available across our footprint and part of performance and incentive plans. The topics that courses cover relate to the Group's external and internal regulation and strategy. In 2021, Risk Pro: Everyone's Business, Cyber Heroes and courses on the General code of conduct, corporate defence, conduct risk in the marketing of products and services, financial crime and market abuse were prominent. To complement mandatory global training, each subsidiary has required courses about local law and regulation.

→ In **Responsible banking**, we are working on three training modules we set with global businesses and subsidiaries:

- The first is multidisciplinary and common for all employees. We launched a global, mandatory module to familiarize them with sustainability and its relevance to the Group.
- The second is for all functions involved in our sustainability agenda and consists of an introduction to sustainability/ESG, ESG Talks (to be broadcast live across our footprint), internal certification and special programmes for each business and function.
- The third includes the appropriate certifications for each business according to its needs (e.g. CFA, EFPA, GARP and others).

Some subsidiaries and global businesses provided additional training on climate change, sustainability, sustainable finance, sustainable investment, diversity and inclusion.

**In 2021, we also trained our employees on** diversity and inclusion, health and safety, customer and supplier relations, the environment and anti-corruption.

## Performance review and remuneration

GRI 404-3

Our comprehensive remuneration framework combines fixed and variable schemes based on employees and the company's achievements. Short and long-term variable remuneration reflects what we have accomplished (group-wide quantitative and qualitative targets, as well as individual and team targets) and how (e.g. behaviour, leadership, sustainability, commitment, growth and risk management). We also have pension plans, banking products and services, life insurance, medical insurance and other corporate benefits our employees can choose.

Fixed remuneration schemes reflect local market conditions. To set pay, we strictly abide by the practices, regulations and collective agreements in force in each country and region.

Our remuneration policy for all Group employees forbids differential treatment that is not based on a review of performance and corporate behaviours. It also promotes equal pay between men and women.

To comply with EU regulations on remuneration, we identified 1,018 employees subject to a deferred variable pay policy because their decisions can have a material impact on Banco Santander's capital. 300 employees fewer vs 2020, mainly due to the entry into force of the new CRD V regulation. The policy defers a significant amount of their variable pay (40%-60% depending on their responsibilities) for three to seven years in accordance with internal and local regulations. 50% is delivered in shares and subject to potential reduction ("malus") or recovery ("clawback").

## Key initiatives in 2021

- The inclusion of share options as part of variable pay (which was previously paid in shares) and the update of multi-annual target metrics will be put to a vote at the next AGM in 2022. The proposal includes keeping the relative total shareholder return and adding the return on tangible equity and metrics linked to responsible banking commitments.
- Under the succession policy, senior managers must make sure the successor pool is strong and diverse (especially in terms of gender diversity).
- Progress in monitoring the gender pay gap calculation and analysis methodology.
- The remuneration policy added the principle that remuneration must be free of gender-based bias and help eliminate disparities that could result.



For more details on remuneration data, see the ['Key metrics'](#) section of this chapter.



For more details on board remuneration, see [section 6 of the 'Corporate governance chapter'](#).

## MyContribution

*MyContribution* is our common performance management model. Performance management is key to enriching our culture and ensuring colleagues perform to the best of their abilities in keeping with their career goals. Our model applies to all employees in 2021.

*MyContribution* has three components:

- **What:** 50% is based on employees' individual goals set in line with group-wide strategy.

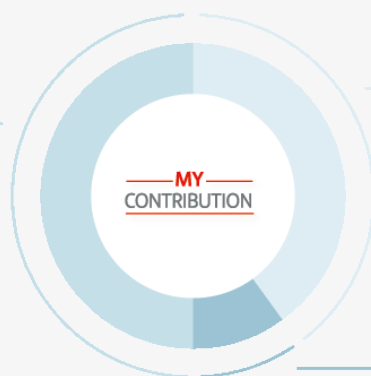
- **How:** 40% is based on how employees deliver on objectives and foster the values of Simple, Personal and Fair, the eight corporate behaviours and the four leadership commitments, which combine to form The Santander Way.
- **Risk:** 10% is based on how employees manage risk in their day-to-day role.

*MyContribution* is updated regularly. It now highlights our risk culture with a separate category created in 2020 to assess it.

**50%**  
**What**

Individual goals that link to the organisational strategy.

"What I do day to day" to achieve business results, demonstration of how I contribute to the Group's Purpose and Aim.



**40%**  
**How**

Common key elements that demonstrate "how" I go about achieving my "what" – The Santander Way

**10%**  
**Risk**

Common risk goal for all levels and roles, to show how I manage my risks in my day to day.

**riskpro**

## Corporate benefits

GRI 401-2

We offer several benefits to our employees in all geographies. Each subsidiary has programmes that adapt to local circumstances. Benefits range from free services for employees and their families to discounts on products and services.

We focus on well-being to help employees stay in sound physical and mental shape, to support their families and to adapt health cover to new circumstances and needs. In Spain, our *Santander Contigo* programme provides assistance with daily tasks, legal and computer support, and other services. In other geographies, services and financial aid for childcare and support for elderly relatives in their charge are also substantial.



For more details on our initiatives promoting employees' wellbeing, see "Employee wellbeing" in this section



### Corporate benefits in Mexico

Santander México offers these benefits to employees:

- Family: Nursery subsidies, scholarships for employees' children, support talks and digital tools.
- Health: Plans for all employees, with permanent access to doctors, dentists, psychologists, social welfare officers and other healthcare professionals.
- Financial products: Reduced interest rates, credit cards without extra fees, mortgages with special rates, favourable lending conditions for car and motorcycle purchases, etc.
- Discounts and insurance: Reduced rates on glasses, at sports facilities and on other products as well as for life and car insurance.

## Work-life balance and job efficiency

### The way we work

We continue to promote our employees' work-life balance through flexible working, health and well-being programmes and office safety measures.

#### FlexiWorking

At Santander we promote flexiworking and we believe our diverse organization must adapt to the needs and characteristics of its teams.

We redesigned our global flexiworking framework to address where, when and how much we work:

- **'Where':** Possibility of home/remote working.
- **'When':** Intensive day, flexible start/end and break times and alternative shifts.
- **'How much':** Part-time working, special leave, flexible holidays, job sharing and other measures.

We have empowered our managers with the decision regarding the best flexible working model for their teams. In this way, each area and business unit has implemented new ways of working based on the characteristics and needs of the team and its performance expectations. Since the pandemic is not over, we must remain cautious and flexible.

In 2020, our return to the office depended on the severity of the pandemic developments and local regulations. In 2021, most of our branch teams have now returned, although in many cases we still operate under a hybrid working model. To support our employees who work remotely, we provide material such as office chairs to improve their conditions, as well as training on ergonomics and stress.

We continued to implement tools to drive digitization and collaboration, which helped our employees perform well and manage remote working effectively as well as to maintain their right to disconnect, preventing them from sending emails or holding meetings outside working hours.

Listening to employees, understanding the situation and attending to their needs is essential to identify and facilitate managers to adopt measures that can achieve a balance between work and professional life, while guaranteeing productivity, corporate culture and our attractiveness as an employer.

#### Agile methodologies

We're implementing agile methodologies and organizational structures in our Technology and Support functions in several countries.

In 2021, we continued to transform and bring more teams from our subsidiaries and global functions into the Agile environment (our subsidiaries in Spain, Mexico and Argentina were key to boosting implementation) for better customer focus, more collaboration between IT and the businesses, faster decision-making and different ways of working that will heighten employees' sense of accountability for the end product.

# 82%

of employees say Santander is providing the appropriate flexibility<sup>A</sup> they need to be effective and productive.

# 86%

of our employees believed Santander's response to the pandemic's challenges was effective.<sup>A</sup>

A. 2021 Global Engagement Survey

### 5 principles of New Ways of Working



→ **The customer comes first.** Customers must always be at the heart of everything we do.



→ **Many ways of working** (where, when and how much). Employees will be assessed on their experience, effectiveness and efficiency.



→ **Workspace is no longer just a workplace**



→ **Testing and learning** through continuous listening



→ **Flexibility, fairness, inclusion and equal opportunity** are guiding principles in decision-making.

## Social dialogue and restructuring

In 2021, we continued to guarantee freedom of association and the right to collective bargaining. Our Human rights policy considers forming or joining unions and other representative bodies a basic right of workers in accordance with Article 10 of our General code of conduct. We also ensured respect for freedom of association, trade union activity, collective bargaining and protections for employees' representatives under the laws of each country where we operate. We continued to promote and comply with the International Labour Organization's Fundamental Conventions. We also remained in constant dialogue with employees' legal representatives through bilateral and special committee meetings where all parties discussed reporting, queries and negotiations about work conditions and employee benefits.

Meetings we held in 2021:

- Occupational health and safety committees
- Equality plan follow-up committee
- Santander Employees pension plan control committee
- Training committee
- Other meetings: 2021 engagement survey results; Banco Santander mass redundancy agreement follow-up committee (five meetings as well as regular information exchange); meetings with subsidiaries' business committees
- Bilateral meetings with trade union representatives

Agreements entered into:

- Capitalization of pension supplements for Banco Popular beneficiaries + extension
- Capitalization of pension supplements for Banco Santander beneficiaries (from October 2020)
- Increase in employer contributions to the Santander Employees pension plan
- Integration of working conditions for Santander España Technology & Operations staff
- Integration of working conditions for Santander Consumer Finance staff
- Implementation of the Grupo Santander Consumer collective bargaining agreement and 2022 salary review
- Santander Global Operations equality plan
- 24th Collective bargaining agreement for the banking industry (members of the industry negotiation committee)

We considered the risk of failing to uphold employees' rights low as our labour relations had proved effective in every country.

## Restructuring

In recent years, amid staff reductions in Spain, Portugal, Poland, the UK and other core geographies, we have consistently applied internal and external flexibility measures to support employees' transition to new employment while maintaining dialogue with their trade unions and legal representatives. In Europe, we also abide by the principles of the Joint declaration on workforce restructuring that our management representatives signed in 2016 with the European Works Council.

We take these steps to ensure the best possible outcome:

- We prioritize voluntary employment termination.
- We hold informal meetings with workers' legal representatives to find alternatives that will reduce the impact of losing jobs and to uphold their rights before formal proceedings commence.
- We consider particularly vulnerable employees' personal circumstances (e.g. disabilities, severely ill children, victims of gender-based violence, etc.).
- We help employees with outplacement either in Santander or in other companies through internal and external flexibility measures.
- We pay severance above the amount required by law, in keeping with agreements with trade unions.

## Restructuring processes we carried out:



In 2021, we began to reduce our workforce on organizational, production-based and economic grounds. Following informal discussions with workers' legal representatives to explain our reasons, we entered into formal negotiations that ended with an agreement with most trade unions (82.99%). All of the measures agreed with the European Works Council to align workforce restructuring with socially responsible practices were in the restructuring agreement. The alternative measures we proposed included geographic and in-company relocations to lower the number of potential lay-offs.

Our workforce reduction gave priority to voluntary employment termination and was considerate of workers' vulnerable circumstances. We reduced the number of terminated contracts substantially (from the initial 5,072 to 3,572) and outplaced 1,500 workers in the Group. In addition to relocating employees geographically, 70% of the lay-offs involved early retirement agreements with either guaranteed temporary pay until full retirement or compensation packages above the amount provided by law, with social security contributions up to 63 years old in order not to interrupt the contribution period of employees over 50 years of age who met length-of-service requirements.

We also hired a specialized relocation agency free of charge to help affected employees (and their relatives) who wanted to find a new job, through advice and training, entrepreneurship initiatives, job searches and other activities.

There have been no class action or law suits filed by trade unions to contest the redundancy programme nor any rulings against Santander.



Within a common movement to most banks in Europe, addressing the change in banking consumers' habits and based on an intense process of digital transformation, Santander Portugal has been reducing the number of branches and digitalizing processes, with the correspondent reduction of its workforce in 2021. Our preferred approach was to reach individual settlements according to Portuguese law. Therefore, the process was conducted in constant contact with trade unions and the legal representative unit and the settlement offers included increased severance benefits, health plans, outplacement programs and early retirement proposals.

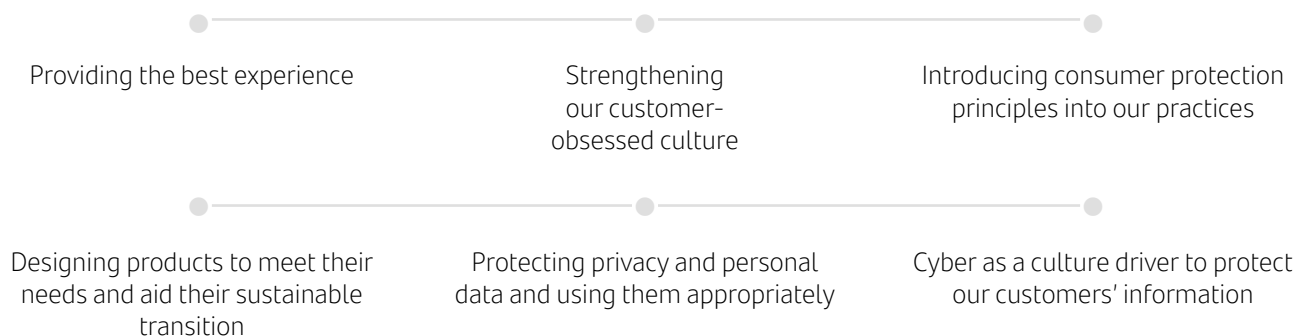
We hired an independent legal adviser to review negotiations and contact with the employees. In addition, we also created the Nova Etapa programme to support people in the transition to new personal and professional ventures.

This set of measures made it possible to reach agreements with around 96% of the workers covered by the workforce reduction. Having exhausted all individual agreement negotiations, the collective dismissal process was concluded involving 49 employees, which represent only around 4% of the overall workforce reduction undergone by the Bank.

# Acting responsibly towards customers



## Our customers are at the centre of everything we do



## Customer experience and satisfaction

GRI 102-16 and 102-34

### Transforming customer experience

In 2021, we continued to promote our customer experience (CX) strategy to give the best service.

We created local, regional and global initiatives, which our executive committees monitor closely. Supported by our multicultural and multidisciplinary team, we prioritize customer experience enhancement initiatives with the greatest impact on customer satisfaction and potential to scale up. The CX team focused on four areas in 2021:

- 1. Strategy:** To unify our vision, we came up with common CX guidelines to enhance customers' journeys and touchpoints, and keep them at the centre of our efforts. We also created a Customer Experience Observatory to monitor trends and learn from successful cases in the banking and other industries.
- 2. CX plans:** We helped our subsidiaries devise and execute local plans to improve customer experience. In 2021, we launched initiatives in several geographies. Applying behavioural economics, we ran a range of use cases for new product design, procedures, communications and pricing strategy.
- 3. Culture:** We strive to foster a productive environment for our customers that strengthens our "Customer obsession" culture across our footprint. In 2021, we created global and local CX training courses and certifications for our employees.
- 4. Community:** Working as one team helps us serve our customers better. In 2021, we continued to streamline our global CX community to bring about synergies and share best practices, knowledge and tools across the Group.

Our Consumer protection function shares best practices across the Group through CuVo (Customer Voice), a monthly global working group formed of all our customer-facing areas. In 2021, we ran these initiatives:

- In Spain, we improved the terms and conditions of the ONE account and launched the "Porque Tú, Porque Te" campaign as part of our quest to be number one for our customers.
- In Europe we have been working on a new unique app that will be launched for all 4 countries: One Europe App. So far it has been launched in Spain and Portugal, and the plan is to launch it in Poland and the UK in 2022.
- In Chile, we separated infrastructure to make sure any issue on a digital channel did not cross over to another. We also enhanced our banking app to give a better digital experience.
- In Argentina, we focused on better customer service through workshops and e-learning courses to promote our "Customer obsession" culture.
- In Uruguay, we migrated all our customers to Supernet, reducing waiting times and incident numbers.
- In Brazil, we launched Dial My App, which connects our remote customer service lines to our app, giving customers who call our contact centre a fully digital experience.



## Customer satisfaction

Our strategy sets out to inspire loyalty among our customers. In 2021, we conducted more than four million surveys to monitor their feedback about Santander and find out how we can improve our products and services and, ultimately, their experience.

To measure customer loyalty and satisfaction, Santander uses the NPS, an indicator of our relations with customers. This methodology is based on service, image, and products and pricing, which are the three core areas we constantly work to improve on.<sup>1</sup>

In 2021, we ranked in the top 3 in NPS in 8 of our markets, up from 6 of the previous year. We also improved our position in most countries, most notably in the categories of Personal and Fair (which form part of our values). By region:

- As leaders in NPS in Brazil and Chile and climbing the rankings elsewhere, we're well positioned in South America and continue to set ourselves apart from our peers.
- The closure of branches and changes to contractual terms and conditions make for testing times in Europe's banking industry. In 2021, we ranked second in Spain and broke into the top 3 in the UK and Poland.

- We're setting our action plans on North America. In Mexico, with a declining market, we have maintained our position in 2021 and in the U.S. we have improved our position compared to the previous year.

In 2022, we'll continue working on our Simple, Personal and Fair values and our customer service channels.

In 2021, as fewer customers visited our branches, their changing perceptions and habits meant our digital channels and their impact on the NPS grew.



# Top 3

8 of 9 countries<sup>A</sup>

A. Due to its business model, Santander US's objective is distinct and does not account for the metric.

	South America				Europe <sup>B</sup>				North America	
2019	4°	2°	2°	2°	3°	4°	3°	2°	4°	9°
2020	3°	2°	1°	3°	2°	4°	1°	6°	4°	9°
2021	2°	1°	1°	2°	2°	3°	3°	3°	4°	8°

NPS to measure customer satisfaction, audited by Stiga/Deloitte.

Key peers by country: Argentina: Galicia, BBVA, ICBC, HSBC, Banco Macro, Banco de la Nación; Brazil: Itaú, CEF, Bradesco, Banco do Brasil; Chile: BCI, Banco de Chile, Itaú, Scotiabank, Banco Estado; Uruguay: Brou, Itaú, BBVA, Scotiabank; Spain: BBVA, Caixabank, Sabadell, Bankia, Unicaja; Poland: ING, Millenium, MBank, Bank Polski, Bank Pekao, BNP Paribas; Portugal: BPI, Millenium BCP, CGD, Novo Banco; UK: Nationwide, Barclays, Halifax, NatWest, Lloyds, HSBC, TSB, RBS; Mexico: Scotiabank, Banorte, HSBC, Banamex; US: JP Morgan, Bank of America, Capital One, PNC, M&T Bank, TD Bank, Citigroup, Citizens, Wells Fargo.

B. The 2020 figure for Poland was revised during the financial year 2021, the final result being 4th.

**We monitor all drivers that have an impact on Santander NPS**

### SERVICE

Branch	General service, waiting times, branch assistance, layout
Channels	Mobile, internet, ATM, CDM, contact centre, personal manager
Personal	Personal attention, kindness, employee professionalism
Simple	User-friendliness, speed and agility
Communications	Clear statements, information on offers and deals, coherent information
Problems	Perceived issues
Others	Data protection
IMAGE	Strong and sound, socially responsible, innovative, trustworthy, transparent
PRODUCT & PRICE	Simple product and service proposition, fees and charges, benefits, credit cards

## Group NPS by channel<sup>C</sup>



64

Branch



43

Contact Centre



58

Internet



69

Mobile

Internet: Excluding Chile, the UK and Uruguay.

C. Internal NPS (last info available): Obtained from customer surveys issued within 48 hours of their contact with the bank via any channel. Weighted average of active Group customers.

<sup>1</sup>This index is based on customer recommendations, using a scale from 0 to 10. Depending on their score, these are: promoters (9-10); neutral (7-8) or detractors (0 to 6). The NPS is calculated by subtracting the percentage of promoters from the percentage of detractors.

## Product governance and consumer protection

### Product, service and consumer protection framework

Being responsible means offering our customers products and services that are Simple, Personal and Fair (SPF). Our daily operations must be brilliant, and do more than what the law requires, to give our customers an exceptional experience.

Our Product, service and consumer protection framework sets out the principles that promote a strong SPF relationship with customers and establishes the basics for managing and mitigating conduct risk in design, sales, post-sales and services.

### Consumer protection policy and principles

The Compliance and conduct function abides by our Consumer protection policy, which sets out the highest ethical standards we expect our teams to uphold towards customers.

We report on our consumer protection principles in all our geographies to make sure we embed them in our day-to-day. We use our customers' voice and business indicators to spot unsatisfactory customer service, fee-related issues, incidents at ATMs and other areas for improvement, and to come up with plans to address them. We're working on adding artificial intelligence to our reporting for greater insight into how we can better protect our customers.

In order to identify risks that stem from new regulations or problems with products and services, we conduct thematic reviews for the entire Group, assess them and make decisions on how to improve and mitigate the risks identified. In 2021, our review focused on such responsible business practices as pricing techniques and fair value for our customers. We also carried out a more detailed price comparison of Santander Asset Management España's investment funds and pensions against industry figures; we plan to extend that study to our other geographies in 2022.

We followed up on the thematic reviews from 2020 on responsible business practices in account packages, revolving cards and overdrafts. We checked that 26 local plans on transparency, disclosure to customers, sales, fees and credit conditions were consistent with best practice. They will be implemented in 2022.

We ran product governance and customer protection awareness campaigns and workshops in line with our strategic priorities.

### Product and services design

GRI 416-1, 417-1 and FS15

### Product governance

Santander's governance structure enables it to safeguard customers' interests.

Our product governance forum ensures the products and services that we market meet the needs of identified target segments and are reasonably and clearly priced.

In 2021, we enhanced our ESG product validation and passed nine proposals that impact on this matter.

## Consumer protection principles



Treat customers fairly



Complaints handling



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



Data protection



Customer-centric design of products and services



Responsible pricing



Financial education



Transparent communication



Responsible innovation



Safeguarding of assets

## Sales processes

### Salesforce cultural transformation

Our product and service disclosures throughout the entire customer cycle are transparent and comprehensive. We apply robust quality and conduct control standards to marketing and sales material, brochures and contracts according to Santander's internal regulation.

That's why all our employees undertake a mandatory, annual course on the management of conduct risks in sales and consumer protection. We run special training programmes for our sales teams to arm them with the knowledge and skills that will enable them to sell our products and services properly.

Those programmes and our sales methods ensure we offer products and services that will meet each customer's needs and preferences. That way, we avoid inappropriate practices like product and service bundles that don't add value for customers.

Remuneration schemes (where customer satisfaction and quality bear significant weight) are key to transforming our sales practices and promoting sustainable business. In 2021, at least 40% of our salesforce's variable pay was linked to customer satisfaction and quality measures, an area where we enhanced best practices through continuous monitoring.

We worked on a global project to give branches a conduct and quality rating. While it will impact on employees' pay, they'll have access to metrics for better awareness and management of conduct-related risks.

We broadened the scope of our remuneration reviews and monitoring for teams in charge of loans and credit origination, and collections and recoveries to embed conduct and quality in their culture and objectives.

### Vulnerable customers

GRI FS14

In 2021, we worked on an instruction manual about our vulnerable customer and special case management model, and set a roadmap for its roll-out among subsidiaries. This will ensure a consistent, Group-wide approach to identifying and managing vulnerable customers in such high-impact procedures as collections and fraud management. We offered monthly training courses, ran an awareness campaign at the Corporate Centre and shared the manual across our footprint.

Our subsidiaries also made progress with the roll-out of vulnerable customer management:



We used big data to identify potentially vulnerable customers and provide them with a personalized, priority service through our contact centre. This service, which has served 500,000 customers, is rated with an NPS 2.5 times higher than the standard service.



We developed a methodology based on advanced data analytics and algorithms for our collections teams to spot potentially vulnerable retail customers. We took a 1,478 sample of the customers we identified as vulnerable and proactively offered tailor-made solutions to the 293 we had found to be "extremely vulnerable". We also waived account fees for a further 100,000 vulnerable customers.

Openbank also identified 387 vulnerable customers and registered them in the CRM system to offer personalized services.



We continued to roll out our new customer support function. It keeps a record of vulnerable customers' support needs so our employees are aware of their situation. During the year, close to 30,000 new notes were added to our systems.

## Post-sales management

### Conduct in collections and recoveries

In 2021, we implemented metrics to monitor conduct risks in all our geographies as part of our Recoveries excellence plan. They helped enhance control over the ethical standards we established last year and over customer contact, disclosures and transparency, data protection, vulnerable customers and training for employees who work in these teams.

They consist of:

- quality control for calls to make sure scripts and standards are followed;
- number of customer complaints about the managed portfolio and in relation to the thresholds established in view of historical data and the current situation; and
- the percentage of employees who have completed mandatory training.



For more details on product governance, consumer protection and conduct and collection & recovery, see section 7.2. '[Compliance and conduct risk management](#)' in the 'Risk management and compliance' chapter.

## Complaints management

GRI 102-34

Handling customer issues and complaints proactively and effectively is a vital component of customer experience and highly valuable to the business.

Our complaints management and root-cause analyses are consistent with the Group's Simple, Personal and Fair strategy and set standards for all geographies to properly handle complaints and offer the best service. We use our findings to enhance our products and services and have an early warning system to identify risks.

In 2021, we continued to focus on resolving complaints at the first point of contact with customers and on opening digital channels like Gent& in Brazil and the complaints section of our app in Chile and Mexico for quicker, alternative access to feedback mechanisms.

We also came up with a root-cause analysis methodology that uses artificial intelligence. It helps us apply customer voice algorithms and get the most out of the structured and unstructured data on our systems. We're testing our initial findings in Brazil and Mexico.

We heightened the monitoring and reporting of customer issues in areas that are considered critical due to the knock-on effects of the pandemic. Having implemented conduct standards during recovery in 2020, we continued to monitor pandemic-related complaints each month. While we saw improvement in most countries, Santander México (the subsidiary with the highest volume of cases) dropped from 40 complaints per 10,000 customers in Q1 2021 to 12 in Q4.

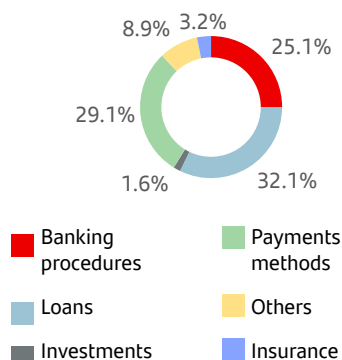
We also track management of fraud-related complaints in all geographies according to special taxonomies. Our local units' customer-centric management includes a "trust payment" of the stolen amount in most fraud cases while they are under investigation. They are informed that it's a temporary refund that Santander will not claim back if the investigation finds in the customer's favour. Cases are falling significantly in Mexico (where fraud accounts for 70% of complaints), thanks to a new task force and the measures we're taking.

In 2021, the over 300 complaints prevention and mitigation measures we worked on included enhanced ATM features; customer communication and disclosure; Service Level Agreements; and operations to optimize customer experience with digital channels and account closure.

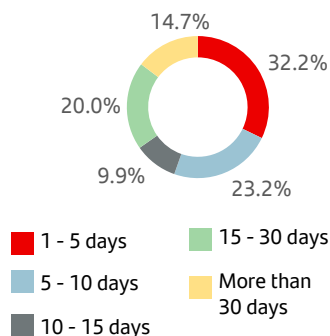


For more details on complaints management, see section 7.2. 'Compliance and conduct risk management' in the 'Risk management and compliance' chapter and our Culture report in our corporate website.

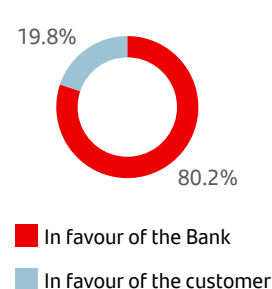
### TYPE OF COMPLAINTS<sup>A,B</sup> (%)



### AVERAGE RESOLUTION TIME<sup>A,B</sup> (%)



### RESOLUTION<sup>A,B</sup> (%)



A. Personal Protection Insurance (PPI) Complaints excluded from the volume, distribution by product and resolution term figures. Regarding the uphold ratio, the UK has been fully excluded.

B. Complaints metric follows the criteria established by the Group (homogeneous in all geographies).

## Process enhancement



In H1'21, we launched Gent& for individuals and businesses. It's a chatbot based on artificial intelligence to resolve queries and complaints as well as give customers more autonomy. As of June, it clocked 9.3 million users and over 100 million interactions on our retail customer app, our business app, Way, WhatsApp, WhatsApp business and Portal Santander. It covered 21 services, including electronic credit card bills, bill amounts, expiry dates, credit limits and debt restructuring requests.



In July, we launched the "Txumani" digital card project, which we expect to reduce e-commerce fraud. Complaints about unrecognized transfers fell from 400 to 100 per day. We implemented a new protocol for customers over the age of 80 to prevent them falling victim to scams. After registering their biometric data at a branch, they will be able to make changes to their personal details and use online banking.

## Privacy, data protection and cybersecurity

### Privacy and data protection

At Santander we are committed to providing our customers with a high degree of trust and security in relation to their personal data. Our standards afford people greater control over their data, ensuring we only use their data strictly necessary and for the specific purposes for which it is collected. That's why we only process personal data that are appropriate, relevant and necessary to the purpose for which they've been collected, throughout the data's entire life cycle and in accordance with the law. We apply all reasonable measures to erase or rectify data that are impertinent, inaccurate or incomplete. We only store personal data for as long as strictly necessary for their legitimate use. Our security measures ensure the unwavering confidentiality, integrity, availability and resilience of our data processing systems and services.

Our compliance programme guarantees robust management of data protection risks. It includes:

- corporate-based **criteria as general lines of action** to meet regulatory requirements.
- **local subsidiaries' responsibility** to abide by the General Data Protection Regulation (GDPR) and local regulation on data protection.
- **a solid governance model** consisting of:
  - corporate and local policies;
  - a data protection officer (DPO) and managers in each unit. We formally disclosed appointees to local authorities;
  - a corporate oversight programme based on management KPIs; annual reviews; and an annual monitoring forum chaired by the Group Chief Compliance Officer, where subsidiaries report on compliance status and other key data protection matters.

Other items that bolster our commitment to personal data protection are:

- a homogeneous monitoring and reporting model among units that includes performance indicators;
- work with third-party service providers that must comply with data protection regulation;
- data protection compliance embedded in the annual internal audit programme;
- data protection management tools to maintain a group-wide register of processing activities (some 6,000), regular KPI reports and security incidents management;
- promotion of corporate initiatives and the exchange of best practices among units, including workshops and online training courses;
- special training on data protection for DPOs and data controllers;
- constant monitoring of regulatory developments to update and consolidate criteria, methodologies and documents; and
- employee training and awareness

## Cybersecurity

At Santander we have embedded cyber security in our culture. The objective is to promote behaviours to protect our customers' information and the Group. Our **employee** performance review includes cyber security within its Risk component. In 2021, we give training and advice to our payment operators, information technology (IT) technicians, developers, executives and board members, with an updated mandatory training course on cyber security.

Our campaigns to spread awareness on digital channels help our **customers and society** stay safe online. In 2021, we launched a new cyber security campaign through our corporate sponsorship of Rafael Nadal to reinforce messages of confidence in online banking and good online habits. We continue to spread awareness through special websites, social media campaigns, targeted announcements and online workshops.

**We're working with public- and private-sector organizations** to promote knowledge sharing and cooperation on cyber security. In 2021, Santander showed leadership and went beyond basic information exchange in the fight against cyber crime:

- We headed the Ransomware Threat Cell working group as part of the World Economic Forum's (WEF) public-private Partnership Against Cybercrime initiative;

- We were co-leaders of the Cyber Experts working group to share cyber intelligence at the European Financial Services Roundtable (EFR);
- We officially joined Europol's NoMoreRansom initiative that offers free resources to ransomware victims; and
- We provided resources and specialist training (e.g. on forensic engineering) to help government agencies and conducted joint operations with the police.

In 2021, we also **updated our Cyber security and IT conduct policy**, which sets out the acceptable uses of Santander's IT equipment and services in order to protect the bank. The policy explains risk areas, misuse and how to avoid, mitigate and manage reputational and commercial risks according to our cyber security rules. It also dictates how the Group and subsidiaries should manage the technology, work implements and information provided to employees in order to prevent legal, reputational or cyber-related incidents.

## Cybersecurity is the responsibility of everyone at Santander



For more details on employees' cybersecurity training, see the section '[A talented and motivated team](#)' in this chapter.



For more details on our cybersecurity plan, see section '[6.2 Operational risk management](#)' in the 'Risk management and compliance' chapter.

93%

of employees can identify risks in their job every day

93%

of employees see cyber security as a top priority

78%

of employees feel encouraged by managers to report important information, even bad news

81%

of employees say they can report unethical conduct without fear of reprisal

Source: Global engagement survey 2021

# Responsible procurement

GRI 102-9, 102-10, 103-1, 103-2, 103-3, 204-1, 308-1, 308-2, 414-1 and 414-2

## Being responsible also involves our suppliers

- ✓ Third-party certification policy
- ✓ Responsible behaviour principles for suppliers
- ✓ Risk control
- ✓ Whistleblowing channels

Our **third-party certification policy** provides a common methodology for subsidiaries to select, approve and evaluate their suppliers. Its **responsible conduct principles** set out standards for all Group-certified suppliers in regard to usual service issues (like price and service quality) as well as diversity, inclusion, human rights and sustainability.

Santander has three supplier control and audit processes to uphold the policy and our corporate values.

In 2021, we reaffirmed our commitment to responsible purchasing and set two initiatives in motion to assess our suppliers' compliance with environmental, social and governance (ESG) standards.

- **ESG standards in procurement:** We surveyed the top 200 high-risk suppliers in our geographies (in particular, Spain, Portugal, the UK, Poland, the US, Mexico, Brazil, Argentina and Chile) to spot ESG risks. The survey had 18 questions that addressed such topics as carbon footprint, gender inclusivity, disability, flexible work schemes, minimum wage and good corporate governance practices. It covered 74% of selected providers, as the rest did not provide answers. Of those, we recognized a high number carried potential ESG risks (49%). Thus, we created remediation plans that must be implemented to attain a level of risk the Group can tolerate.

The main weaknesses we found in the supply chain are the lack of environmental policy, certification (such as the ISO 14001) and greenhouse gas (GHG) reduction targets; in good governance, they were each organization's lack of proof of remuneration policies and missing content in their codes of conduct.

As a result, in 2022 we will introduce ESG standards into critical supplier hiring. We expect to expand the initiative to our Top 1,000 high-risk suppliers.

- **ESG supplier standards:** We use questionnaires from business tenders to compile additional information on the corporate governance and the social and environmental impact of our suppliers in service categories involving intensive labour (such as travel and energy).

We support the local economy. Santander has 6,976 certified suppliers (-19% from 2020)<sup>A</sup> and 26.9% of all new suppliers in 2021 were certified with the inclusion of environmental and social criteria.

Through Aqunima<sup>B</sup>, we delivered 8,401 contracts (-5% compared to 2020) to 4,808 suppliers (+5% compared to 2020). 93.7% are based in the same location where we procure services and account for 95.8% of our total purchasing (-0.7 pp from 2020).

We plan to roll out our **ethical channels** for suppliers in our core markets to our other geographies next year.

In 2021, we tailored our response to suppliers (especially those most vulnerable) to meet their most urgent needs.

To ensure our suppliers' income remained steady during the crisis, we continued to pay them for basic services, extended credit lines to provide them with liquidity, paid invoices early and shortened payment periods (among other measures). In particular, Santander España and Corporate Centre reduced payment periods from 11.2 days in 2020 to 9.7 days in 2021, delivering on the Group's commitment to supporting its suppliers.

We prepared and closely monitored several recommendations based on best practice to make sure measures will be applied consistently across the Group.

## Risk control

- In 2021, we set up our **supplier risk management platform** in our core markets.<sup>B</sup> Designed to rationalize and combine supplier management and critical reporting, it enables us to consolidate certification information for all suppliers.
- Last year, we expanded our supplier risk assessment team. It reviews our essential suppliers' cyber security, business continuity, physical security, facilities and data protection. In 2022, we will add new topics for evaluation (e.g. ESG, ABC, etc.).
- We list our core suppliers of goods and services by region according to the risks previously mentioned.
- We closely monitor and report regularly on our suppliers to senior management and banking regulators (e.g. ECB, PRA and OCC). In 2021, indicators for supplier risk and our ability to identify and mitigate them improved considerably.

A. In 2021, we lowered total volume after revising and consolidating suppliers.

B. Except for Poland, which has its own system.



# Shareholder value

GRI 102-23, 102-24, 102-27, 102-28, 102-36 and 102-37

## Shareholder engagement

As a responsible bank, we seek to match our interests with our shareholders' expectations, create long-term value and inspire their and broader society's lasting loyalty.

We demonstrate our commitment to transparency for shareholders through constant, fluid communication with them to make sure managers and governing bodies will hear their opinions.

>3.9  
million  
shareholders  
(-81,895 vs 2020)

## Shareholder remuneration

GRI102-36, 102-37

Following the European Central Bank's (ECB) announcement that it would lift its recommendation to limit shareholder remuneration until 30 September 2021, the board of directors approved a cash dividend and share buyback worth 1.7 billion euros (40% of first-half underlying profit) as shareholder remuneration from 2021 profits.

The board of directors voted to submit a resolution at the 2022 Annual general meeting to approve a final cash dividend in the gross amount of 5.15 eurocents per share, worth approximately 865 million euros, in addition to a Second Buyback Programme worth 865 million euros that must be approved by the ECB.



For further details on Santander's shareholder engagement, see sections '[1.4 Engagement with our shareholders in 2021](#)' and '[3. Shareholder. Engagement and general meeting](#)' in the Corporate Governance chapter.



For more details on Santander's shareholder remuneration, see section '[3.3 Dividends and shareholder remuneration](#)' in the Corporate Governance chapter.

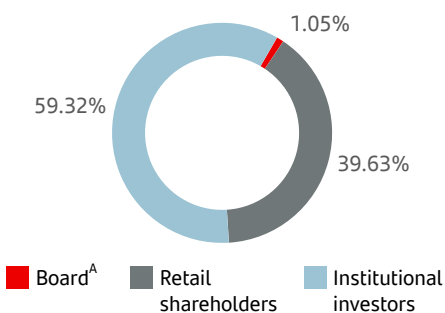


For more details on the Santander share, see section '[2.6 Stock market information](#)' in the Corporate Governance chapter.

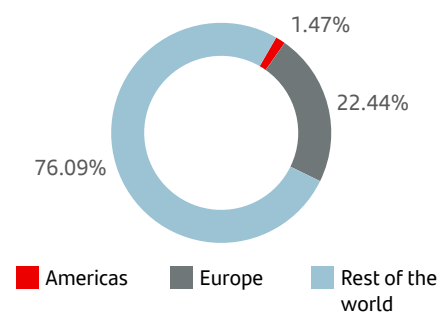
## Banco Santander stock

Banco Santander shares trade in Spain, Mexico, Poland, the US (as American depository shares) and the UK (as CREST depository interests).

### SHARE CAPITAL OWNERSHIP



### GEOGRAPHICAL DISTRIBUTION OF SHARE CAPITAL



For more details, see section [2.1. 'Share capital'](#) in the Corporate Governance chapter.

A. Shares owned or represented by directors. For more details on shares owned and represented by directors, see 'Tenure and equity ownership' in section [4.2](#) and subsection A.3 in section [9.2 'Statistical information on corporate governance required by the CNMV'](#) of the 'Corporate Governance' chapter.

## Communication with shareholders, investors and analysts

GRI F55

Shareholder and investor relations priorities in 2021:

- **Digital transformation and better shareholder experience.**  
**Continued enhancement of online communication and assistance channels.** Streamlining the general meeting proxy and voting platform on the website so shareholders could exercise their rights at the 2021 AGM according to Directive (EU) 2017/828; and holding virtual events to report on the Group's strategy and results.
- **Regular communication** with shareholders, investors, analysts and ratings agencies to earn their trust.
- Reporting on the Group, its shares, and shareholder benefits.
- More personalized shareholder assistance on the channels that best fit their needs, and higher satisfaction based on shareholder surveys.
- **Simple products and exclusive benefits** on santander.com and our shareholder and investor app, plus university scholarships for shareholders and family members with disabilities — 60 grants awarded in 2021 — and other initiatives.
- **A stronger image in the Group's markets.** Our Investor and shareholder relations team was recognized by such prestigious magazines as IR Magazine and Institutional Investor, and by Asociación Española de Expertos en la Relación con Clientes (Spanish association of customer relations experts or "AEERC") and OZ for our efforts to integrate new channels through WhatsApp Business.

We are the first IBEX company to receive AENOR's Good Corporate Governance Index certification, achieving the highest score. It measures such aspects as the board of directors (from different angles); participation at the general shareholders' meeting; transparency, anti-corruption and fraud; sustainability and Environmental, Social and Governance (ESG) criteria.

18,695

responses from shareholders and investors through studies and qualitative surveys

942

engagements with institutional investors (including 85 meetings focused on ESG)

116

events with shareholders

139,301

queries answered via email, telephone, WhatsApp and video conference

&gt;1,000

communications (mainly on digital channels)



For more details, see sections [3.1 'Shareholder engagement'](#) in the Corporate Governance chapter.

## ESG indices and analysts

GRI 102-12

For 21 years in a row, Santander has featured in the Dow Jones Sustainability World Index (DJSI World), which comprises 242 companies, including 24 banks. Our score in 2021 was 85 points out of 100, just four points below the highest (13th place among banks). We achieved top marks in materiality, environmental reporting, financial inclusion, social reporting and operational eco-efficiency. Our performance was recognized by S&P Global with an upgrade to Silver Class (from Bronze) in its Sustainability Yearbook (published in 2022).

MSCI also raised Santander's ranking considerably, from BBB to AA.

In 2021, our CDP score improved from B to A-, putting us among the leading groups of financial institutions and above the Financial Services sector average, which was B.

Sustainalytics also improved our rating, raising our score from 27.1 to 23.9 with higher-than-average corporate governance, product governance, resilience, human capital management and data privacy and security.

We retained our "advanced" classification in the Vigeo Index with 61 points, beating the industry average on environmental and corporate governance matters.

We featured in the Bloomberg Gender-Equality Index (BGEI) for the seventh year running. Our score improved significantly from 85.13 points to 90.26, which is above the industry average (72.69). We are the highest-ranked bank in the Index and the second company overall. The bank obtained the maximum score in the disclosure component and in Pro-Women Brand.

We also improved from 4.3 in 2020 to 4.5 points out of 5 on the FTSE4Good Index.

ISS-ESG once again awarded us its prime badge for companies with an ESG performance above the sector-specific "Prime" threshold.

### ESG ANALYST RATINGS<sup>A</sup>

Score	2020	Difference	2021	Versus industry average
DJSI	83	▲	85	97th percentile, 13th out of 242 banks
MSCI <sup>B</sup>	BBB	▲	AA	3% AAA 29% AA among 191 banks
Sustainalytics <sup>C</sup>	27.1	▲	23.9	26th percentile, 268th of 1045 banks
Vigeo Eiris (V.E)	62	=	61	11th of 31 diversified banks
ISS-ESG	C	=	C	Decile rank of 1
CDP	B	▲	A-	Among 20% of banks with best score
BGEI	85.13	▲	90.26	1st bank and 2nd overall
Shareaction	57	▲	89	20 points above industry average

A. Source: Latest score available to each analyst in 2021.

B. Read the MSCI disclaimer on page 16.

C. Sustainalytics risk rating: the lower, the better.

# Promoting inclusive and sustainable growth



## Supporting the green transition

We're fully committed to helping meet the objectives of the Paris Agreement while supporting our customers' transition to a low-carbon economy



## Financial inclusion and empowerment

We help people who are at risk of financial exclusion by giving them access to basic financial services, boosting entrepreneurship and employment, and providing them with the skills they need to manage their finances efficiently



## Sustainable investment

We embed ESG in our decision-making, offering a sustainable value proposition for customers, and an active ESG engagement



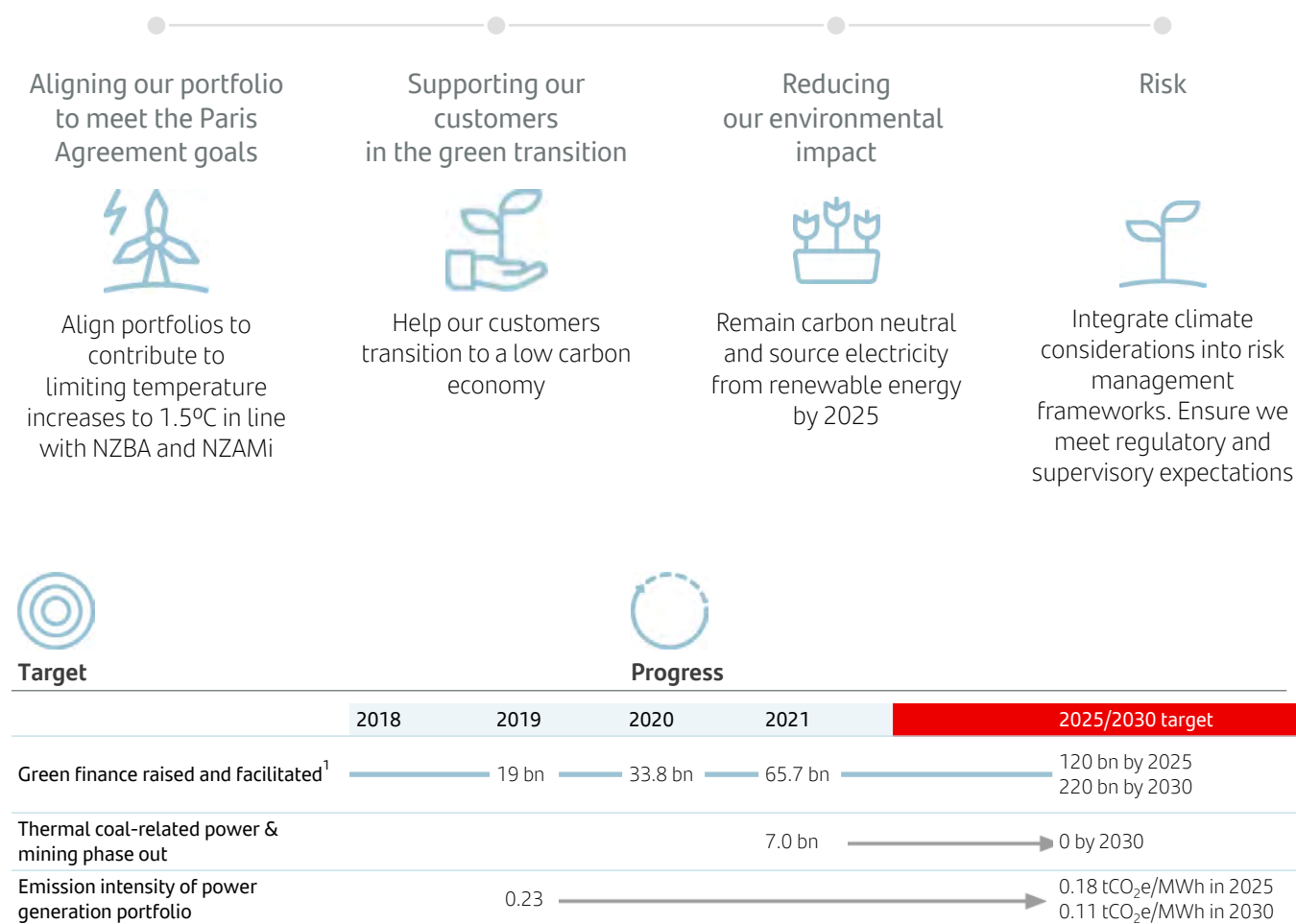
## Support for higher education and other local initiatives

We support education and social welfare in the communities where we operate, with a special focus on higher education as the driving force behind society's progress

# Supporting the green transition

Tackling climate change is a key objective at Santander. We support the Paris Agreement goals and our ambition is to be net zero carbon emissions by 2050. Our main lines of action are:

GRI FS7, FS8



We set the green finance target to aid our customers' transition to a green economy. We aim to raise or facilitate the mobilization of EUR 120 bn between 2019 and 2025, and EUR 220 bn between 2019 and 2030<sup>1</sup>.

Our exposure to sectors with decarbonization targets published in 2021 (power generation and coal) is about 2.1% of total lending on the balance sheet and represents around 38% of SCIB credit risk exposure to SCIB's climate concerning sectors (see 'Metrics and Targets')<sup>2</sup>

<sup>1</sup> In 2021 SCIB's contribution to the green finance target includes: Project Finance (MLA): 4.5bn (based on data available on Dealogic League Tables as of 22 February 2022), Project Finance (financial adviser): 9bn, Green bonds (DCM): 7.6bn, Project bonds: 0.3bn; Export Finance (ECAs): 0.1bn; M&A: 8bn; Equity Capital Markets: 2.9bn. For a total of 32.3bn. Information obtained from public sources, such as Dealogic, Inframation news, TXF or Mergermarket league tables. All roles undertaken by Banco Santander in the same project are accounted for. Other sustainable finance components, such as financial inclusion and entrepreneurship, are excluded. During the 2021 financial year, an internal audit identified a duplicate project in the TXF table for Export Finance and Dealogic for Project Finance (MLA), thereby reducing the cumulative figure at year-end 2020 by EUR 371 million.

<sup>2</sup> "Exposure to sectors with decarbonization targets" metric measured in terms of drawn amounts, as of June 2021. "Concerning sectors exposure in the SCIB segment" measured in credit risk exposure, in line with the Climate materiality assessment, as of June 2021.

## Our approach

In February 2021, the Group's board of directors approved the ambition to be net-zero in carbon emissions by 2050. This applies to the Group's operations (which have been carbon neutral since 2020) and emissions from our lending, advisory and investment services.

We're working to align our climate relevant portfolios with the Paris Agreement goals and set decarbonization targets for the climate-material sectors in our portfolio. We are committed to:

- i. Ending financial services to power generation customers by 2030 if over 10% of their revenues depend on coal;
- ii. Cutting our exposure to thermal coal mining to zero by 2030.
- iii. Reducing the emissions intensity of our power generation portfolio from 0.23tCO<sub>2</sub>e/MWh in 2019 to 0.18tCO<sub>2</sub>e/MWh by 2025 and to 0.11tCO<sub>2</sub>e/MWh by 2030

In April 2021, we became a founding member of the Net Zero Banking Alliance (under the United Nations Environment Programme Finance Initiative, NZBA), committing to:

- i. transition operational and attributable greenhouse gas (GHG) emissions from lending and investment portfolios towards pathways to net-zero by mid-century;
- ii. set intermediate targets for priority GHG-emitting sectors for 2030 (or sooner); and
- iii. prioritize client engagement with products and services that facilitate the necessary transition in the real economy.

We are working on our decarbonization action plans, defining and implementing the risk and business levers needed to deliver on our portfolio net zero targets.

Santander's climate change project is one of our strategic projects. Progress is reviewed every quarter at the Responsible Banking Forum and at least twice a year by the Responsible Banking, Sustainability and Culture Committee. Also, at a senior management level, the strategy committee and the management meeting, chaired by the CEO, also conduct a progress check several times a year.

Santander Asset Management (SAM) joined the global Net Zero Asset Managers initiative (NZAMi) in March 2021 as part of its commitment to fighting climate change. To deliver on this commitment, SAM set an interim target to halve net emissions for 50% of its AUM in scope<sup>3</sup> by 2030. It is also participating in investors' climate initiatives as a tool for driving change, delivering on its engagement plan, defining a sectoral strategy to reduce pollution, shifting portfolio construction gradually towards net zero, developing climate investment solutions and maintaining leadership in climate stewardship and advocacy in its core markets.

Disclosing our approach is key to helping markets and other stakeholders assess how we embed climate in our processes and policies and report on our climate-related performance. We use the **Task force on Climate-related Financial Disclosures (TCFD)** as reference. Our **Climate finance report 2020-June 2021** included information about, and expanded on, TCFD.

See our latest update on the TCFD's four-pillar framework (Strategy, Governance, Risk management and Metrics & Targets) below.



More details on our Climate Report 2020-June 2021 available on our corporate website



See more details of the SAM strategy at "Our net zero strategy" in the [Sustainable Investment](#) section.

## Our strategy

At Santander, we want to play our part in supporting our customers and the global economy to be net zero by 2050.

We are offering our customers decarbonization solutions to help them fulfil their climate goals. We are aligning our portfolios with the Paris Agreement Goals and keeping our operations carbon-neutral. Integrating climate within our risk management is key to delivering our plan.

We have a four-pronged climate strategy and public commitments to:

- 1) align our portfolio with the Paris Agreement Goals and set sector-portfolio alignment targets in line with the NZBA and with NZAMi: to ensure projected carbon emissions will help limit warming to a 1.5°C rise above pre-industrial levels.
- 2) help customers transition to a low-carbon economy, with the commitment to raise EUR 120bn in green finance between 2019 and 2025 and EUR 220bn by 2030; offer our customers guidance, advice and specific business solutions; and enable them to invest in a wide-ranging ESG proposition according to their sustainability preferences.

- 3) reduce our impact on the environment by remaining carbon neutral and sourcing all our electricity from renewable energy by 2025.
- 4) embed climate in risk management; understand and manage the sources of climate change risks in our portfolios.

Santander Asset Management operates in 10 countries and aims to achieve net zero greenhouse gas emissions with its assets under management by 2050, and it was the first asset manager in Spain and Latam (excluding Brazil) to join the NZAMi. This is consistent with Santander's push for leadership in sustainability and the Group commitment to be net zero in carbon emissions by 2050.

<sup>3</sup> Assets in scope are assets with a defined Net Zero methodology, which currently amount to 54% of total AUM. For c.50% of those, SAM has carbon metrics available today. This objective might be reviewed upwards depending on data availability.

## 2021 highlights

- To help deliver on our green finance target, we raised or facilitated EUR 32.3bn (EUR 65.7bn since 2019) and harnessed climate finance opportunities through several initiatives. (For more details see "Supporting our customers in the green transition" section.)
  - The volume of greenfield renewable energy projects we have financed or advised represents enough installed capacity to power 9.2 million homes in a year and avoids 251 million tons of CO<sub>2</sub> emissions<sup>A</sup> during the useful life of those projects.
  - As well as our existing Green Book products, we developed the sustainable finance classification system (SFCS), which enables us to identify lending towards economic activities that contribute to climate change mitigation and adaptation and to track these volumes consistently across the Group.
  - We issued our third EUR 1 billion green bond to finance and refinance renewable wind and solar power.
- We're expanding our range of ESG products in Wealth Management. As of December 2021, we had over €27bn AuM, €11bn in Santander Asset Management and €16bn from third party funds in Private Banking.
- We reduced and offset CO<sub>2</sub> emissions from our own operations, after becoming carbon neutral in 2020. Furthermore, 75% of our electricity comes from renewable energy sources. (For more details, see 'Environmental Footprint').
- Climate change risks and opportunities assessments are part of our financial planning (three-year time horizons) and strategic processes (five years). In 2021, our financial planning considered our decarbonization targets as well as the green finance target and the volume of AuMs under sustainable funds. This enabled us to measure three-year projections as a key component to support the delivery of our commitments.
- Santander's employee pension funds manager recognize the magnitude of the challenges that climate and energy transition pose to governments, companies and civil society. The pension funds manager are also aware of their impact on the ability to comply with their fiduciary duty to provide long-term risk-adjusted returns to their members. They initiated the necessary actions to consider employee pension plans' alignment to net zero, showing their full support for Santander's vision and its commitment to sustainability and climate change.
- We continue to fight deforestation and its damage to climate and biodiversity (especially in the Amazon). Protecting the Amazon rainforest is critical to tackle climate change (for more details, see our webpage on "Santander and the Brazilian Amazon")
- We consider biodiversity a material topic (see our materiality assessment). Further progress in the sector is needed. Santander participated in the Taskforce for Nature related Financial Disclosures and a proof of concept soy pilot coordinated by Global Canopy and UNEP FI.
- Santander UK was a founding member of the UK National Parks 'Net Zero with Nature' project. It seeks to attract funding to scale up peatland and woodland restoration across the UK. The project will generate verified high quality carbon credits and biodiversity units.

A. Emissions to be avoided over the lifetime of projects, which we have financed or advised on in 2021. Emission factors from the International Energy Agency (source updated in 2021 with 2019 data) have been used. The estimated share attributed to Santander is 66.7 million tonnes of CO<sub>2</sub>.

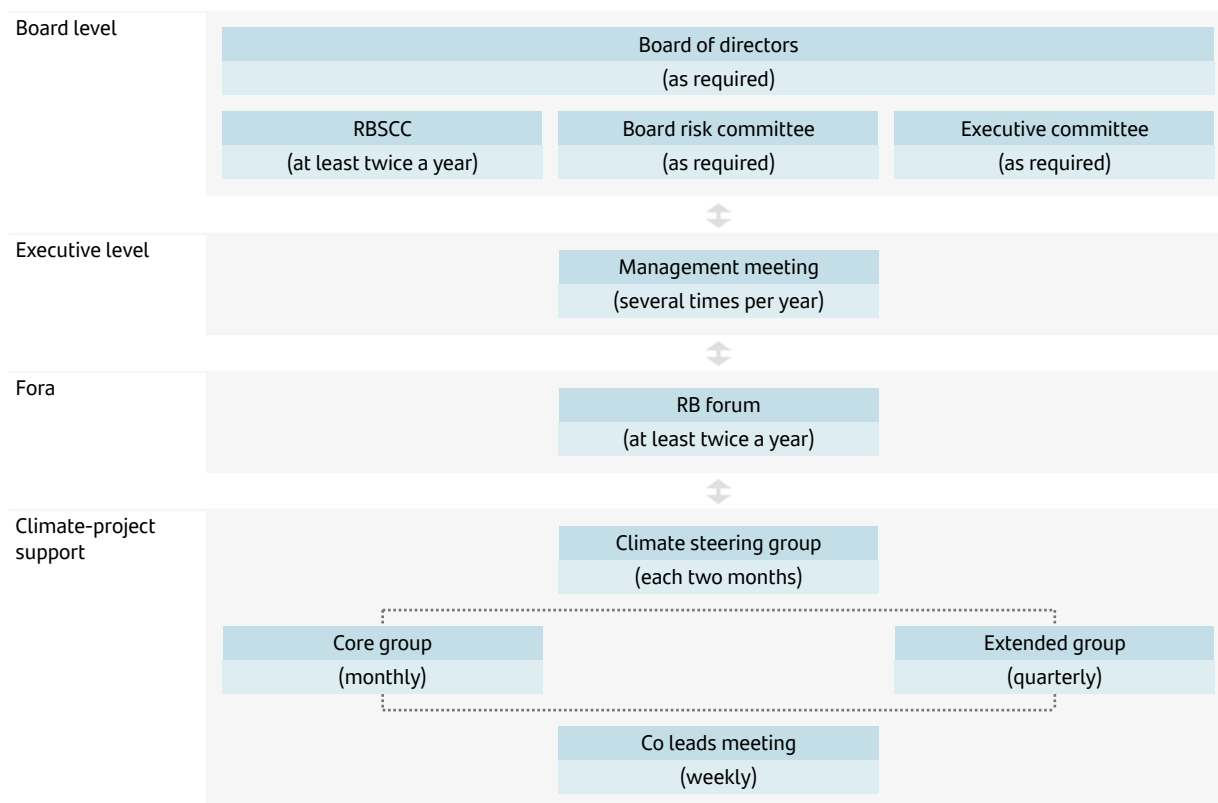


For more details on the Brazilian Amazon, see section '[Environmental and Social risk management](#)', and "Santander and the Brazilian Amazon" in our corporate website

## Governance

GRI 201-2, FS1, FS2, FS3

### Governance bodies of Banco Santander involved in climate change management and frequency on which climate change is presented (in brackets)



- The internal audit function conducted the first review of the climate change project in 2021. It proposed new control measures to reinforce governance.
- The responsible banking, sustainability and culture committee (RBSCC)** reviews and challenges climate change strategy and other environmental considerations. It's an advisory body that assists the board with overseeing the climate change-related components of the responsible banking strategy. It contributes to more informed board decisions and enhanced strategic focus based on the related risks and opportunities.

In 2021, the RBSCC held four meetings, including three on climate change (at least two meetings covering climate are required). The committee discussed climate change project updates; climate-related financial risks and opportunities; roadmaps to fulfil TCFD and ECB expectations; discussions to approve the net zero ambition and fulfilment of the bank's net zero commitments; Santander's sustainable finance proposition to help our customers' transition to a low-carbon economy; plans for business lines; and progress on our carbon footprint and green finance commitments.

- To streamline our governance, we created the Responsible banking forum (RB Forum). It executes the responsible banking agenda across the Group, drives decision-making on responsible banking issues and ensures the execution of any mandates from the RBSCC, other board committees and the board of directors. It also ensures alignment on key issues, as well as the review and escalation of reports to the RBSCC.

The RB Forum meets at least six times per year. It reviews climate change and net zero strategy before discussion at the RBSCC. In 2021, the RB Forum met four times and addressed such climate-related topics as net zero strategy, sustainable finance and carbon offsetting.

- The Group management meeting, chaired by the CEO, receives progress reports on the responsible banking agenda and on climate change several times a year.
- Specialist working groups cascade Santander's climate change agenda. It includes such matters as TCFD implementation, supervisors' expectations, climate commitments and governance, throughout the Group. The climate project and working group, co-led by SCIB, Risk and Responsible Banking with members from several functions and geographies, meets weekly to monitor and drive progress with the climate change project roadmap; monthly with the corporate areas involved to ensure headway; and quarterly with all subsidiaries and areas.
- A climate steering group meets every two months. Its members are the Group chief credit officer, the global head of Enterprise-wide risk management, the chief of staff to the global head of Santander Corporate and Investment Banking, the global head of Responsible banking, the head of the chair's office, the director of group strategy and the senior adviser on responsible business practices to the executive chair; and receives feedback from executive directors as part of the RB Forum.



- Santander has several working groups that meet regularly to drive the climate change agenda: Santander Spain's climate change project, coordinating all local climate initiatives; Santander UK's climate leadership group, supporting the UK's senior leaders ambition to be a leader in climate matters; the public policy sustainability working group, advising on climate, regulatory developments and the Group's positioning in policy debates; the footprint working group, in charge of how we measure and reduce our internal carbon footprint; and the sustainable bond working group, overseeing the issuance of sustainable bonds.
- In 2021, the short-term variable pay that generally applies to Group employees took into account the progress made in towards ESG objectives (e.g. green finance and climate change goals).
- For 2022, the board proposed (resolution at the 2022 AGM) the inclusion of ESG metrics in the long-term incentives of senior executives. They include green finance and decarbonization targets consistent with our commitments: namely setting targets for ten sectors before 2024 to fulfil NZBA requirements; and aligning our Power Generation portfolio gradually to ensure delivery on our mid-term target for 2025.



For more details on the RBSCC, see section 4.9 '[Responsible banking, sustainability and culture committee](#)' in the Corporate governance chapter.



For more details on our policies and governance, see the '[Governance](#)' section of this chapter.



For more details on the RB Forum, see our Climate Report 2020-June 2021 available at our corporate website.



Our General sustainability policy is available on our corporate website [www.santander.com](http://www.santander.com)

## Management and staff training

GRI FS4

In January 2022, the board of directors completed a third climate change training programme. It included modules on the Paris Agreement, net zero, portfolio alignment and climate risk management. In 2021, the Santander UK board and senior executives took part in exercises on climate risk and stress tests. Santander España's board and senior executives received climate change training.

We launched "Climate Dialogues" for senior managers to discuss critical climate-related topics in four sessions with renowned experts Alzbeta Klen (IFC Director and Global Head of Climate business), Andy Marsh (President and CEO of Plug Power Inc.), Hakan Samuelsson (President and Chief Executive of Volvo Cars) and David Antonioli (Verra CEO).

In March, we held a CDP-sponsored workshop on climate change for risk analysts. Over 182 attendees talked about the physical and transition risks of climate change. A follow-up CDP webinar on climate change (held in April with around 80 attendees) delved deeper into the TCFD's reporting standards and recommendations.

In December, the chairs of the responsible banking, sustainability and culture committee from the group's geographies attended a special session on climate change and net zero.

## Risk management

GRI 102-15, 102-29, 102-30, 201-2

- We continue to make progress with **embedding climate and environmental risks in our key risk management processes**. In 2021, we developed a quantitative metric for our risk appetite statement.
- We made significant progress with the credit granting process and with developing a more restrictive risk policy on sensitive sectors and activities that could damage our reputation. All SCIB corporate customers (groups) now have a climate assessment as part of the **internal credit ratings**.
- In 2021, we adapted our **risk appetite** to include specific limits regarding our exposure to coal customers. This will ensure the fulfilment of the decarbonization targets for coal-mining and coal-related power generation customers as well as aiding climate risk management. (see 'Metrics and targets')
- In early 2022, the new version of the **Environmental, social and climate change risk management policy** was approved with new restrictions that will help us decarbonize our portfolios and reduce climate-related risk, including new criteria which prohibits financing and advising on new oil upstream clients, except for transactions for the specific financing of renewable energy, and direct financing of oil upstream greenfield projects.
- We launched initiatives to meet regulatory requirements, such as the CBES in the UK and the SSM **stress tests** for 2022. Furthermore, senior managers were more involved in overseeing risks associated with climate change.
  - Santander's Economic research department analyses the impact of climate change based on the published scenarios from the Network for Greening the Financial System, the 2021 Biennial Exploratory Scenario and other external sources.
  - We introduced a climate change rationale into Santander's baseline scenario to assess macroeconomic impacts on our portfolios. We also developed alternative scenarios to measure the impact other climate assumptions have on economic variables. Our climate scenarios model impacts on different economic sectors.
  - We align climate scenario development with supervisory expectations as reflected in the ECB guide on climate-related and environmental risks published in November 2020.
- We conduct regular **materiality assessments** to identify the most climate material portfolios. They cover more than 80% of our balance sheet and include assessments of residual value, strategic, market and liquidity risks.
  - Our Risk taxonomy and heat maps, based on TCFD and UNEP FI programmes, form the basis of a qualitative classification of portfolios and their potential exposure to climate risks. The internal climate change risk taxonomy recognizes sectors that are directly exposed to physical and transition climate risks.
  - We use materiality assessment findings as inputs to monitor, measure and report on financial impacts and to develop new metrics for risk management, credit policies and business strategy.

- We are developing **internal tools and models** to assess climate-related risks and impacts in our portfolios:
  - **KLIMA tool**: To manage climate-related risks at corporate and unit level, considering transition and physical risks, taxonomy and heatmaps for different sectors and geographies. It is a key element to manage climate-related risk in the short, medium and long term following climate scenarios.
  - **Advanced models**: Santander performs internal climate scenario analysis and stress tests using a platform acquired from an external vendor, which follows a UNEP FI methodology supplemented with external information and scenario expansion. The platform is complemented by the materiality assessment exercises and heatmaps related to physical and transition risk.

### MATERIALITY ASSESSMENT - CLIMATE RISK ANALYSIS AND HEAT MAPPING OF PORTFOLIOS

September 2021 - Billions euros

	TR	PR	SCIB	Other segments
Power (conventional)			25	2
of which power generation clients with > 10% of revenues coming from coal			4	0
Power (Renewables - Project Finance)			12	0
Oil & Gas			19	0
Mining & metals			9	2
of which Coal Mining			4	0
Transport			27	94
Real Estate			6	361
Agriculture			3	4
Construction			20	7
Manufacturing			33	14
Water supply			3	1
<b>Climate sectors</b>			<b>157</b>	<b>484</b>
Other sectors			59	161
<b>Total portfolio</b>			<b>216</b>	<b>646</b>

Low Moderately low Medium High Very high

TR: Transition Risk. PR: Physical Risk

SCIB: REC (on and off balance sheet lending + guarantees + derivatives PFE),

Other segments: Drawn amount

Other sectors= SCIB and Corporate NACES outside of risk taxonomy perimeter //

Individuals and SCF: Cards and Other Consumer

Other segments include Individuals, SCF, Corporates and Institutions.



For more details on our risk management approach and progress, see section 10 '**Climate and Environmental risk**' of the Risk management and compliance chapter.



For more details on our Climate Report 2020-June2021, see our corporate website.

## Metrics and targets

Santander aims to achieve net zero carbon emissions within its own operations and customers' financed emissions by 2050, focusing initially on the most material sectors to climate risk like power generation, and oil and gas. We've been publishing the PACTA analysis of our power generation portfolio since 2019.

In April, Santander became a founding member of the Net Zero Banking Alliance (NZBA). We committed to set and disclose decarbonization targets for the most GHG intensive sectors. In 2022, we will engage with NZBA working groups to help set specific guidance and further develop NZBA guidelines.

We disclose performance data on scope 1, 2 and 3 emissions (see 'Environmental footprint'), along with other climate relevant metrics (e.g. energy consumption). We also report on our renewables and carbon neutrality targets.

We have been carbon neutral in our own operations since 2020 by reducing and offsetting own emissions and increasing the use of renewable energy.

Regarding our scope 3 emissions (category 15 related to financing), we began to disclose the financed emissions from our customers in 2021, following the Partnership for Carbon Accounting Financials (PCAF, which we became a member of in September 2021) standard. This means we can assess the GHG emissions linked to our portfolios and devise alignment strategies.

We are setting alignment strategies and practical decarbonization targets using emissions data from our customers, which need to be accurate enough to monitor real progress. We are working on improving these data through external databases and model developments using information from our customers.

As we set and publish future decarbonization targets, we will disclose financed emissions progressively starting with the most concerning sectors, in line with the roadmap described below.

Beyond portfolio alignment, we are also working to obtain financed emissions for our balance sheet, albeit with lower-quality emissions-related data to support also different disclosure requirements.

Below we provide information about our third PACTA exercise and more details about decarbonization targets as part of our TCFD disclosures.

## Portfolio Alignment

Santander publicly supports the Paris Agreement on climate change. We joined the UN Collective Commitment to Climate Action (CCCA) when it was launched in September 2019. We announced our ambition to be net zero in carbon emissions by 2050 in our 2020 Annual Report. We were founding members of the NZBA in April 2021 to help us progress in our net zero ambition.

The most carbon-intensive sectors for Santander, as identified in the climate materiality assessment, are power generation, oil and gas, transport and mining and metals. We analysed how our customers in those sectors are positioned in terms of current and expected emissions from their activities to align with the Net Zero pathway towards 2050.

### Progress on the Collective Commitment to Climate Action

To fulfil UNEP FI Net Zero Banking Alliance (NZBA) commitments, we need to set and publish sector-specific, scenario-based targets to align our portfolio with the Paris Agreement goals.

We follow NZBA guidelines and recommendations and consider our climate materiality assessment to prioritize the most carbon intensive sectors where data and methodologies are available.

Our methodology relies on financial information from our customers (total equity, total debt, total assets, company valuation, etc.), as well as emissions and production data. Where no public emissions data exist, we estimate emissions based on a proxy (average emissions by industry, country, etc.). Once we have an idea of our customers' total emissions, we can apply our attribution factor in line with the PCAF approach to determine the emissions Santander financed.

### Roadmap for delivery on Net Zero

The ambition for many sectors to have net zero emissions by 2050 depends on several exogenous factors. Data and methodologies need to be more widely available and reliable before we can accurately measure emissions and set decarbonization targets.

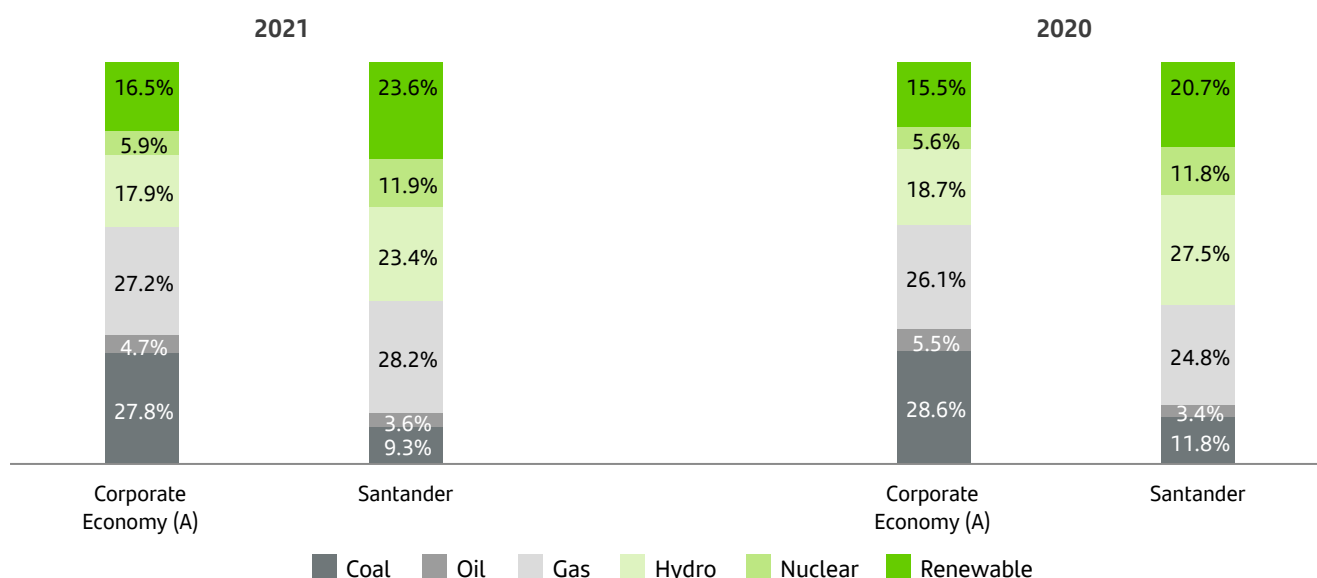
For the most concerning sectors identified in the materiality assessment (power, oil and gas, mining and metals, and transport), we've been measuring the GHG emissions from our customers' activities and Santander's share of emissions, per PCAF guidelines. Those sectors are considered to have more GHG emissions directly or indirectly linked to their activities and value chains as well as the most potential to reduce emissions and help achieve the Paris Agreement goals.

We plan to set decarbonization targets based on emissions metrics for: oil and gas, mining and metals (coal-related) and aviation within our transport portfolio by September 2022 or earlier in line with our NZBA commitment. Those decarbonization targets must be compatible with helping our customers transition to a greener economy.

Subject to the availability of data and methodology, we will set decarbonization targets for mortgages, commercial real estate, auto manufacturing, auto lending, cement, agriculture and some sub-sectors before the end of March 2024.

## Power generation: focus on SCIB corporate customers

Production capacity across technologies (%). June 2021



A. Corporate Economy: The aggregate/combined production of all assets in the Asset Resolution's database, which captures approximately 70% of total world CO<sub>2</sub> emissions (CO<sub>2</sub> is the largest greenhouse gas (GHG) contributor to human induced climate change). Considering the inclusion of other GHG (such as nitrous oxide and methane – relevant in agriculture), the database captures approximately 60% of total GHG emissions. Based on data from the 2018 World Energy Outlook from the International Energy Agency.

## Power generation

**We're committed to aligning our power generation portfolio with the Paris Agreement by 2030.**

**We're ending financial services to power generation clients by 2030 if over 10% of their revenue depends on thermal coal.**

Power generation is responsible for a significant part of the anthropogenic greenhouse gas (GHG) emissions causing global temperatures to rise. The power sector relies on technological alternatives that produce varying levels of emissions: coal, oil and gas-fired power plants produce significantly high emissions as opposed to renewable energy sources (wind and solar). Therefore, the technology mix of our power generation clients – and of our portfolio – is significant.

As of June 2021, our SCIB power generation portfolio total exposure including corporates and project finance was around EUR 34.7 billion. Our project finance portfolio in renewables accounted for EUR 11 billion.

As explained above, the technology mix of our power generation corporate clients is key to track our progress on reducing emissions. We conducted a PACTA exercise, as we had done last year, to calculate the technology mix of our SCIB corporate clients in the power generation sector (as shown in the graph above). The percentage of production capacity of renewables financed by Santander grew 2.92 percentage points and coal fell 2.46 points. Gas technology increased 3.36 points, offsetting the -4.09 p.p. reduction in coal and hydro technology, which was mainly due to intense droughts in Brazil.

We estimated the current and future emissions of our power generation portfolio and proposed the first GHG decarbonization targets for 2025 and 2030.

In setting our targets, we considered the expected trajectory of our portfolio and how it compares with the latest recognized scenario to achieve net zero emissions by 2050: "International Energy Agency (IEA) – Net Zero Emissions". We based the pathway on the SDA and the convergence ambition approach. The SDA assumes global convergence of key sector' emissions intensity by 2050.

Based on 2019 portfolio data, the **emissions intensity of our power generation portfolio stands at 0.23 tCO<sub>2</sub>e/MWh. Our commitment is to reduce it to 0.18 tCO<sub>2</sub>e/MWh by 2025, and to 0.11 tCO<sub>2</sub>e/MWh by 2030**, in line with the Paris Agreement.

Gas will play a relevant role in the transition of power generation in many countries, enabling them to avoid using more polluting production alternatives (such as coal-fired power plants) while deploying renewables capacities in line with their Nationally Determined Contributions (NDCs). That's why we're drawing up internal guidance for acceptable gas power generation projects to work with, aimed at reducing the GHG of our portfolios. Our approach aims to support a fair transition in those countries and including the general energy market situation of that country; energy mix pathway (based on NDCs); to lower average emissions of the energy-mix in the geography so it replaces production assets with higher emission levels; the use of advanced, low-emissions technology; and, in developed economies, preparedness to transition in the future (Hydrogen readiness; carbon capture modules; etc).

## Coal

In February 2021, in our 2020 Annual Report we committed to **cutting our worldwide exposure to thermal coal mining to zero by 2030**.

To meet the coal targets, in 2021 we did the following:

- **Customer engagement:** In 2021 we engaged with our customers impacted by the two coal decarbonization targets to analyse and assess their coal exit-plans.  
There are only 7 coal-mining customers (representing €4bn in risk exposure) and only 18 power generation customers with more than 10% revenues coming from thermal coal (representing €3bn in risk exposure, with an average weighted revenue from coal of 34.8%).  
In our engagement we are offering them help to transition and decarbonize. The majority of the customers we engaged with have transition plans and are receiving our support to close, transform or divest the coal mines or coal-fired power plants.
- **Risk Appetite:** We set new limits to monitor and manage our exposure to customers impacted by our coal commitments. These limits will ensure we meet the two coal decarbonization targets by 2030, although the exposure to these customers may not have a linear decreasing trend as we work with them to help them decarbonize.
- **Environmental, social and climate change risk policy:** We outlined new criteria regarding thermal coal to ensure the decarbonization of our portfolios (for more details, see the 'Risk management' section).
- **Long-term incentives:** We added the power generation portfolio decarbonization target (% of emissions intensity reduction for power generation) to the remuneration scheme for Santander's most senior executives (for more details, see the '[Remuneration](#)' section).

## Oil and gas

The oil and gas sector represents a significant amount of the GHG emissions produced worldwide, and needs a clear transition pathway to decarbonize. Many economic activities (power generation, transport, manufacturing, etc.) are still heavily dependent on oil and gas.

The risk limits for SCIB oil and gas customers have been adjusted to consider their climate change transition plans. As a result, a tiering has been established and risk management limits have been modified accordingly, while a strict monitoring of transition plans' execution is being implemented. Further actions and levers are being explored within the current work to set alignment targets for this sector.

In early 2022, we updated the ESCC risk policy to include new restrictions that will help us decarbonize our oil and gas portfolio, which prohibits financing and advising on new oil upstream clients, except for transactions for the specific financing of renewable energy, and direct financing of oil upstream greenfield projects.

## Mortgages and Real estate

This sector is material to Santander's exposure. Residential and commercial buildings generate a significant amount of GHG emissions, given their overall energy consumption in this sector adds up to a significant amount of GHG emissions. Accounting for the emissions associated to the collaterals and assets that Santander finances requires extensive data collection (energy efficiency labels, property surface area in sqm, etc.).

To fulfil our net zero ambition within this sector, we're progressing with the most material portfolios to assess the emissions baseline with enough data quality to set decarbonization pathways, strategies and effective commercial plans. We're working on our mortgage portfolios in the UK and Spain, which respectively comprise over 63% and 16% of the Group's mortgage exposure.

To measure the energy efficiency of mortgage collaterals, we have been working on gathering energy performance certifications (EPC): **EPCs are not comparable across geographies<sup>4</sup>, as it is a measurement scale defined locally, and depends among other things on local policy and weather conditions.** Therefore, each letter label corresponds to different levels of emissions per surface area per geography or EPC standard. In many geographies there is a significant lack of EPCs, and EPC data should be estimated with real data and supplemented with estimation models.

The first breakdown of the energy efficiency labels (EPCs) of UK mortgage collaterals, according to the UK's local EPC scale, is ("A" being the best performance, and "G" the worst): "B" for 13%, "C" for 23%, "D" for 42%, "E" for 17%, "F" for 4%, "G" for 1%.

At Santander España, the estimations of the portfolio EPC distribution, according to the Spain's EPCs local scale, is: "A" for 1%, "B" for 2%, "C" for 4%, "D" for 14%, "E" for 63%, "F" for 8%, "G" for 8%.

Both in the UK and Spain the breakdown of EPCs in our mortgage portfolio are broadly aligned with each geography EPCs' profile.

## Transport

The automotive sector is material to the bank's exposure and emissions. SCF's Consumer business division is working on assessing the carbon footprint of our **auto-loan** portfolios. In H2'21, SCF UK began measuring 'green assets' financed within the portfolio and created a CO<sub>2</sub> emissions financed dashboard that identifies the green assets financed. We're helping **auto-manufacturers** invest in new technologies to produce more efficient vehicles and reduce the average grCO<sub>2</sub>/km of the ones they produce. We'll also set an alignment target as part of our NZBA commitment and will be analysed along with auto lending as the two are related. (Please see the agreement signed with Ferrari below)

**Aviation** is also a relevant sub-sector that accounts for a significant amount of emissions within the transport sector. We're assessing transition plans and carbon footprint to set decarbonization targets by September 2022.

<sup>4</sup> According to PCAF databases, as an example, the "D" EPC rating in England has an estimated emissions intensity of 0.03045 tCO<sub>2</sub>/m<sup>2</sup>, while the "E" EPC rating in Spain has an estimated emissions intensity of 0.023739 tCO<sub>2</sub>/m<sup>2</sup>.

## Metals

Metals manufacturing, which produces a significant amount of GHG emissions should be decarbonize replacing some of the current technologies used for combustion and electricity.

We have been assessing our **steel and iron** portfolio to understand its level of emissions and decarbonization plans. It is on the right track towards net zero. As indicated in our target roadmap published in our Climate finance report, we will be publishing our target for that sector no later than September 2022.

Though we have few customers and a very little exposure to **aluminium**. We'll keep working with our customers in that sub-sector to help them decarbonize their operations.

## Agriculture

Agriculture is a key sector on the path to net zero; however, it is also one of the most challenging in terms of data and alignment methodologies. We participate alongside other major banks in the Banking for Impact on Climate in Agriculture (B4ICA) initiative coordinated by WBCSD in partnership with UNEP FI and PCAF.

## NZBA and GFANZ engagement and the collective commitment to climate action

We remain engaged with the **UNEP FI on climate**. Since 2018, we have participated in TCFD recommendations pilots I & II, making headway with an internal methodology to assess climate change-related impacts on our credit risk exposures. As part of the Collective Commitment to Climate Action and the Net Zero Banking Alliance, we participate in working groups aimed at strengthening the initiative and further developing other initiatives.

We're also in the Glasgow Financial Alliance for Net Zero (GFANZ), which is the umbrella organization for the finance industry from the 2021 COP in Glasgow and beyond. Our Group Executive Chair is a member of the Principals Group that sets the strategic direction for GFANZ.

## Supporting our customers in the green transition

SASB FN-IB-410a.2, FN-IB-410a.3

As one of the world's largest banks we have a responsibility and an opportunity to support the green transition and encourage more people and businesses to go green. Enhancing our sustainable finance proposition across all our divisions and regions is critical to meet our climate ambition. To help us achieve this, we developed in 2021 the Sustainable Finance Classification System (SFCS), an internal guide that enables us to recognize sustainable finance activities and measure them consistently throughout the Group.

### Corporate and Investment Banking

Building on our strong track record of renewable energy finance and advisory services, SCIB aims to introduce ESG and sustainability into all sectors and products in response to increasing demand from corporates and investors and in pursuit of Santander's own commitments. Our ambition is to become the leading financial platform for energy transition-enabling technologies by supporting our clients in achieving their sustainability objectives and transitioning towards more responsible, social and environmentally sustainable business models.

In 2021, SCIB appointed a Global Head of ESG. The team is focused on three main areas:

- ESG solutions, covering ESG analytics, sustainable capital markets/financing and ESG product development
- Corporate Finance
- ESG Factories, to partner with the Group's businesses to develop specific solutions for other segments.

### Financing renewable energies

For the last 10 years, we've been leading the banking industry in renewable energy finance. We are among the top 3 banks in terms of number of deals and the top 5 in deal value globally.

The greenfield renewable energy projects that we have financed or advised in 2021 have a total installed capacity of 13,604 MW, and prevent the emission of 251 million tons of CO<sub>2</sub><sup>A</sup>. We also helped expand, improve and maintain renewable energy brownfield projects that have a total installed capacity of 1,776 MW (more details in the graphs below).

Our renewable energy greenfield and brownfield portfolio totalled more than EUR 12.9 billion by the end of the year. Spread over 326 transactions, it accounts for approximately half of our project finance portfolio.

**Santander Corporate & Investment Banking (SCIB) aims to be a leading bank in providing sustainable finance and ESG solutions.**

#### GLOBAL RENEWABLE ENERGY PROJECT FINANCE VOLUME BY MLA - FY 2021<sup>A</sup>

Rank	Mandated Arranger	Vol. (USDm)	Nº.	%share
1	Bank 1	6,421	82	6.6
2	Bank 2	5,534	68	5.7
3	Banco Santander	5,280	129	5.4
4	Bank 3	4,228	64	4.3
5	Peer 1 <sup>B</sup>	3,504	63	3.6
6	Bank 4	3,084	40	3.1
7	Bank 5	3,071	40	3.1
8	Bank 6	3,003	40	3.1
9	Peer 2	2,796	53	2.8
10	Bank 7	2,703	30	2.8

A. In the lead arranger category of Dealogic and Bloomberg New Energy Finance league tables for project finance

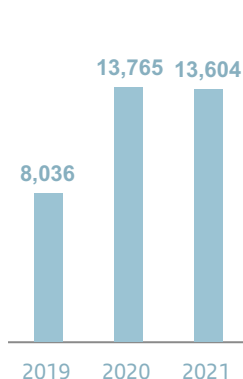
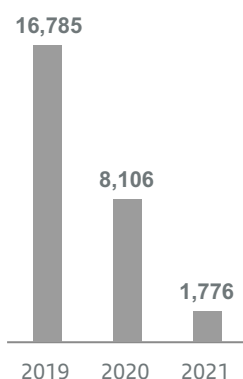
B. Peers are BBVA, BNP Paribas, Citi, HSBC, ING, Itaú, Scotia Bank and UniCredit, which are similar in size to Santander.

**The generation capacity of the renewable energy projects we have financed or advised in 2021 amounts to the yearly consumption of 9.2 million households.<sup>B</sup>**

A. Emissions prevented over the projects' useful lifespans, we have financed or advised, in 2021 based on: emissions factors figures from the International Energy Agency (updated in 2021 with data from 2019). 66.7 million tons of CO<sub>2</sub> is the estimated part allocated to Santander.

B. Based on final electricity consumption data published by the International Energy Agency (updated in 2021 with data from 2019).



**GREENFIELD FINANCE<sup>5</sup>**(MW financed)<sup>C</sup>**BROWNFIELD FINANCE<sup>6</sup>**(MW financed)<sup>C</sup>**BREAKDOWN OF FINANCED MW BY TYPE OF RENEWABLE ENERGY**

	Wind energy	77%	35%	77%	46%	58%	26%
		2019		2020		2021	
	Solar energy	22%	54%	18%	33%	39%	64%
		2019		2020		2021	
	Others <sup>D</sup>	1%	11%	5%	21%	3%	10%
		2019		2020		2021	

Greenfield Brownfield

**BREAKDOWN OF GREENFIELD AND BROWNFIELD FINANCE BY COUNTRY IN 2021<sup>E</sup>**

5,400 MW  
61 MW  
USA



3,212 MW  
1,225 MW  
Spain



2,119 MW  
Brazil



1,286 MW  
156 MW  
United Kingdom



900 MW  
Germany



267 MW  
Poland



264 MW  
Italy



318 MW  
Mexico

Greenfield Brownfield

C. Of the megawatts attributable to Banco Santander in 2021, 33% were from greenfield finance and 36% were from brownfield finance.

D. Includes hydropower in 2019, solar and wind energy in 2020 and battery energy storage, mix solar-biomass and energy from waste in 2021

E. Other greenfield finance: Chile (81 MW), Portugal (53 MW) and France (24 MW). Other brownfield finance: Portugal (18 MW)

**Renewable energy projects financed and advised in 2021**

Santander was the sole financial advisor and green loan coordinator in a landmark transaction to finance Vineyard Wind I, an 800 MW offshore wind project off the coast of Massachusetts and the first large scale offshore wind farm in the US.



Santander was mandated lead arranger in the financing of Dogger Bank C, a 1.2 GW wind farm being built off the coast of Yorkshire. It is the largest offshore wind project financing to date, and is due to be the largest offshore wind farm globally. Each phase will produce enough electricity to supply 5% of the UK's energy demand.



Santander advised on the financing of enfinium Ltd, a waste to energy (WtE) firm which is a leading operator in the sector, with an annual waste capacity of 2.3 million tonnes and gross capacity of 265MW.



Santander was mandated lead arranger in the financing for the Darwin Project, a 900MW offshore wind farm, to be built in the German North Sea, close to the Netherlands and some 72km from mainland Germany. It is the first offshore wind transaction with private PPAs in Germany and continental Europe.



Santander acted as Financial Advisor for the company, leading also the structuring and bookrunning of the institutional tranche in the refinancing of Project Ares, a portfolio of two concentrated solar power plants with a total installed capacity of 99.8 MW owned by Celeo.



Santander acted as Mandated Lead Arranger of Provence Grand Large's first floating offshore wind farm being financed by commercial banks globally. The 24 MW project is located in France and is supported by three key entities with track record in the French offshore wind market.



Santander was mandated lead arranger and hedge provider in the financing of the Alpino Project, to build and operate two ground-mounted solar PV projects in Lazio with a combined capacity of 118MW. The project will be a key milestone in the Italian renewable space, since it will be one of the first corporate PPA-backed projects in the country.

<sup>5</sup> New projects to be built.

<sup>6</sup> Projects already existing and producing electricity at the financing date.

**M&A advisory in renewable energy**

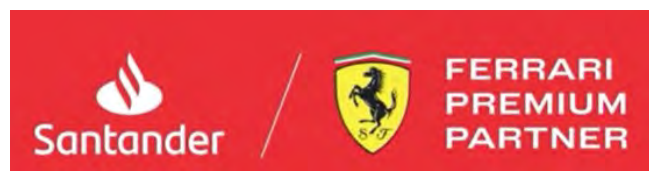
We supported Grupo Enel in the restructuring of its Latin American business, including advisory on two landmark transactions: first, the merger of Enel Green Power Latam with Enel Americas, the largest listed pan-American utility company; and second, the integration of Enel Green Power Central America into Enel Colombia, Enel's joint-venture with Grupo Energía de Bogotá for the business in Colombia and Central America.

**Partnering with clients on their transition**

In the first ESG corporate finance advisory role in Hydrogen, Santander acted as sole financial advisor to Plug Power, a US-based global leader in fuel cell systems and hydrogen related services, in the launch of a 50-50 joint venture with Groupe Renault. The resulting company, "Hyvia" will lead the way towards a complete ecosystem of fuel cell powered light-commercial vehicles, green hydrogen and refuelling stations across Europe. Santander also acted as exclusive financial advisor to Plug Power in its partnership with Acciona, a Spain-based global renewable energy operator, to create a leading green hydrogen platform in Spain and Portugal.

We advised the French start-up Verkor on the creation of a strategic partnership with Renault Group. Renault Group and Verkor will co-develop and manufacture low-carbon and high-performance battery cells to foster the emergence of a competitive, sovereign and sustainable battery supply chain in Europe.

As part of Santander's new alliance with Scuderia Ferrari, we aim to offer Formula 1's most successful team a wide range of advice and support to help them become carbon neutral by 2030.



## Developing new solutions

We have developed new sustainable products, such as our sustainability-linked supply chain finance offering and our sustainability-linked swaps offering.

## In recent years, we have created various frameworks to develop our ESG product offering such as:

- Sustainable Guarantees Framework, with second party opinion from Vigeo Eiris (2019)
- Social Loans Framework in Argentina, with second party opinion from Sustainalytics (2020)
- Sustainable Finance Classification System, reviewed by Sustainalytics (2021)

## Landmark deals in 2021



### First large scale EV charging network transaction in Europe

Santander was mandated lead arranger and hedge provider, leading the first project finance for a large-scale electric vehicle (EV) charging network in Europe, due to be powered entirely by green energy and installed across select Carrefour hypermarkets in France by 2023.



### First sustainability linked bond in Mexico

Santander was the Sustainability Co-ordinator for Coca-Cola FEMSA in the first sustainability-linked bond in the local debt market in Mexico.

### First social project bond in Latin America

Santander was the sole structuring agent for Latin America's first social project bond issuance, which is linked to the Puerta de Hierro-Cruz del Viso roadway project in Colombia.



### First UK retailer to offer sustainability-linked supply chain finance

Santander partnered with Tesco PLC to offer sustainability-linked Supply Chain Finance (SCF) to their supplier base. Tesco suppliers will be offered preferential financing rates via Santander's market leading SCF platform which incentivizes suppliers to make positive changes to their business while tracking performance and creating a culture of continuous improvement.



### Sustainability coordinator for one of the largest sustainability-linked facilities

Santander acted as Joint Sustainability Coordinator in one of the largest ever sustainability-linked revolving credit facilities (RCF) for Anheuser-Busch InBev and the first of its kind among publicly listed companies in the alcohol beverage industry.






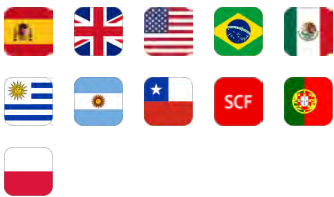






## Retail and commercial banking

As one of the top retail and commercial banks, we have the responsibility to support the development of inclusive and sustainable societies.

Building on our existing Green and Social Book offering of ESG-oriented products (launched in 2019), we continue to reinforce our sustainable finance proposition with dedicated purpose lending and sustainability-linked loans.

Focusing on green finance, our products and services are designed around five key verticals adapted to the specific needs of our customers in all geographies.

### Green solutions for our individual, SME and corporate customers

	What do we finance?	What do our customers need?	
<b>Green buildings</b> 	Purchase, construction and renovation of energy-efficient buildings. Renewable power system installation and refurbishments that use 30% less energy.	Developer loans, private solar panel installation, smart meters, energy-efficient lighting, mortgages with an A or B energy rating.	
<b>Clean mobility</b> 	Clean transport and infrastructure.	Leasing of electric and hybrid vehicles (<50 g CO <sub>2</sub> per passenger-km) and financing of charging stations and bicycle lanes.	
<b>Renewables</b> 	Renewable energy production and transportation. Energy storage.	Financing of solar panels, wind farms and battery and storage battery production.	
<b>Agro</b> 	Sustainable and protected agriculture. Land and forest conservation. Sustainable farming.	Financing of greenhouses, reduced irrigation systems, efficient machinery, reforestation and reduced fertilizer use.	
<b>Circular economy</b> 	Activities to adapt to, or mitigate, climate change; preserve biodiversity; and boost the circular economy.	Financing of water, waste and soil treatment; greater energy efficiency; lower emissions; and conservation.	



### Sustainability is part of what we do

As part of our commitment to renewable energy, in 2021 we invested in the El Escudo wind farm project in Cantabria, Spain. The licence for the 105MW farm, which will be the region's biggest renewable energy initiative, is expected for 2022. It will also provide the region with the means to execute a rural development plan, drive energy transition to reduce CO<sub>2</sub> emissions by 45,000 tons per year and generate enough energy to power 95,000 homes.

In 2021, we became sustainable finance leaders in our markets thanks to several new partnerships, products and projects. In particular:

### UK



**Santander mortgages:** The first mortgage provider to launch EnergyFact, a free, practical report that gives customers guidance on energy efficiency at home

**Green deposit:** For businesses with revenue of at least £6.5 million

**First global SFCS pilot:** CCB, Mortgage and SCUUK teams are using the SFCS to track green finance and set medium-term green finance targets

### Poland



**Wide range of leasing products for individuals and businesses:** Zero-emission and hybrid vehicles, solar panels, and energy efficient machinery

**Eco-cards:** 860,722 issued, making up 42.4% of all cards.

**Eco loan:** We refund customer fees on eco-friendly purchases

**Sustainable debt:** the first sustainable debt securities in Poland of PLN 750 million, where the funds are used to finance or refinance green or social assets

### Portugal



**Personal renewable energy loans:** Financing for renewable energy solutions, with a low spread of 2% and loan arrangement fee exemptions

**Green mortgages:** Housing loans with a spread reduction for properties with an A and A+ energy rating

**Auto solutions:** Car leasing campaigns with reduced spread for electric and hybrid vehicles.

**IFRRU 2020:** Loans for full building refurbishment at the most competitive cost in the market

### Spain



**Leading the way in SFCS implementation:** Pilot in retail banking that helped set the path for implementing the SFCS in other markets

**Agreement with Uber:** Strategic agreement to expand electrical commercial transport

**Agreement with the Moves III Plan and Wallbox:** Wide range of sustainable vehicles and installation of subsidized charging stations

**Plan Renove Agri:** Financing for new vehicles for the Agri segment to reduce CO<sub>2</sub> emissions by up to 25%

**POWER agreement:** Turnkey installation of private solar equipment

**Green renovation loans:** Product with special terms and conditions to finance energy savings and renovations for efficiency

**NextGenEU Platform:** search tool for grants and subsidies under the NextGenEU funds and advisory to apply for them, in collaboration with KPMG and LocalEurope.

### SCF Europe



**Surge in clean car volumes:** €3.4bn in EV (260% YoY and 9.2% green share) and €4.2bn in hybrid vehicle financing<sup>1</sup>

**Switch to LPG engines:** Partnership with Repsol to finance LPG engine installation

**Financing of charging stations:** New proposition to finance charging stations for our customers who own electric vehicles

**Solar panels, "pellet" heating systems and boilers:** Financing low consumption, eco-friendly systems to aid customers' energy transition

1. Not split for vehicles with emissions of less than 50 gr/CO<sub>2</sub> yet. Platform to measure emissions under development



**USA****Plug-in hybrid electric vehicles:**

Santander Consumer financed more than \$700 million in PHEV, nearly a ten-fold increase on 2020

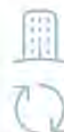
**Going Paperless:** Launched in 2021, this initiative to simplify and digitalize back-office and branch processes cut paper waste by over 13% year on year

**Mexico****Property developments.**

**LikeU credit card:** that support environmental and social causes

**Euromoney** magazine named Santander México the Best Bank for Sustainable Finance and Best Bank for SMEs in Latin America

**Global Finance** magazine named Santander México a Leader in Sustainable Finance in Latin America

**Brazil****Sustainable Business:**

R\$ 51 billion reached through sustainable products for retail and wholesale customers

**Renovabio:** supported the creation of the first regulated carbon market in Brazil, named Renovabio and reached 65% market share

**Recycled Cards:** First pilot of recycled PVC card for selected customers

**Chile**

**Green loans:** Product to finance energy efficiency and home improvement

**Carbon footprint programme** for customers to purchase carbon bonds or make charitable donations in order to offset their emissions

**Measure what matters most:** SME support programme with the B Impact Assessment that measures their environmental, social and economic footprint

**Argentina****Agreement with Enel X:**

In the first partnership of its kind in Argentina, Santander finances the installation of solar panels and lithium batteries designed by Enel X

**Sustainable loans:** Special interest rates on financing projects that increase energy efficiency

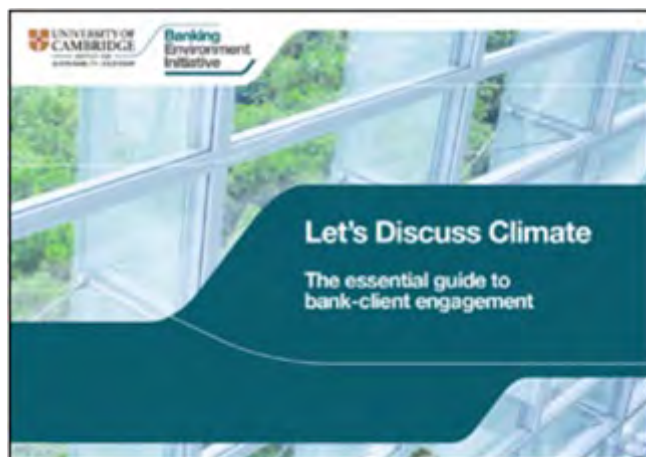
**Sustainable finance protocol:** Signatory to the initiative alongside 20 other banks

## Other initiatives

### Banking Environment Initiative (BEI)

SCIB deepened its engagement with clients in key sustainability topics such as sustainability strategy and ESG ratings.

Our collaboration with The University of Cambridge Institute for Sustainability Leadership's (CISL) Banking Environment Initiative on a new guide to bank-client engagement aims to address the need for a market-wide transformation of how banks and corporate clients interact. *Let's Discuss Climate: The essential guide to bank-client engagement* focuses on the customer service model to enable bankers to have meaningful conversations with large corporate clients about their decarbonization plans and associated financing needs.



### Carbon markets and nature-based solutions

Santander announced a new and exciting partnership with UK National Parks to support their "Net Zero with Nature" initiative. Together with SCIB, Santander UK is helping fund the restoration of 220 hectares of damaged peatland in Scotland's Cairngorms National Park. Furthermore, with global impact firm Palladium, Santander will explore the role it can play in the carbon and biodiversity credit market.



### Other partnerships

Santander also hosted conferences on the topic of carbon markets, such as "The Future of the Carbon Market in Brazil" and "The Role of Voluntary Carbon Markets" (co-hosted by Verra), to discuss the challenges and opportunities for businesses.



In 2021, we joined a pioneering project promoted by Repsol Foundation along with Sylvestris Group to drive CO<sub>2</sub> offsetting through reforestation. We will finance the creation of three forests that will cover more than 300 hectares. Thanks to its contribution, Santander will be able to offset the emission of 82,000 tons of CO<sub>2</sub>; contribute to protecting biodiversity and the fight against climate change; and support rural development and job creation.



## Sustainable finance classification system (SFCS)

Sustainable finance is key to meeting our ambition to be net zero by 2050. That's why we developed our Sustainable finance classification system (SFCS), an internal guide that outlines harmonized criteria to consider an asset green, social or sustainable in all the Group's units and businesses. The SFCS, reviewed by Sustainalytics, draws on such international industry guidelines, standards and principles as the EU Taxonomy, ICMA, LMA Principles, UNEP FI framework and Climate Bond Standards.

It also ensures a consistent approach to sustainable finance across Santander that will enable us to track activities, support product development, mitigate the risk of greenwashing and reinforce our transparency and commitment to promote and increase our green, social and sustainability-linked activity.





### International industry guidelines, standards and principles that the SFCS draws upon

EU taxonomy	ICMA Green/ Social Bond Principles	LMA Green Loan Principles	LMA Sustainability Linked Loan Principles	ICMA Sustainability Linked Bond Principles	Febraban taxonomy (Brazil)	UNEP FI framework	Climate Bond Standards
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### Eligible products

Dedicated purpose	Sustainability linked financing
<ul style="list-style-type: none"> <li>→ Transaction proceeds go <b>towards eligible green or social projects</b></li> <li>→ Eligibility criteria: <b>Specific activities and thresholds</b>, based on industry principles and guidelines (ICMA, LMA, Climate Bond Standards) and the EU Taxonomy</li> </ul>	<ul style="list-style-type: none"> <li>→ <b>Sustainability-linked transactions</b> designed to incentivize customers to set and work towards ambitious ESG targets</li> <li>→ Transaction structured according to pre-determined <b>sustainability performance targets</b> (KPIs and/or ESG ratings)</li> <li>→ Alignment with recognized <b>industry principles and guidelines</b> (ICMA and LMA)</li> </ul>

### Added value

 Green and social finance standards aligned with international standards	 Green alternatives to the most in-demand traditional products
 Ability to meet growing demand for ESG products and services	 New product development

## Information about Article 8 of the EU Taxonomy Regulation

In 2020, the European Parliament adopted the Taxonomy Regulation. It identifies activities deemed sustainable. It states that companies subject to the Non-Financial Reporting Directive (NFRD), including financial corporations, must disclose how operations align with the Taxonomy. The primary indicator of alignment is the green asset ratio (GAR), which companies must publish from 2024. It shows the extent to which financed activities meet the Taxonomy's technical standards.<sup>7</sup> It's the ratio of an entity's Taxonomy aligned assets to balance sheet assets (excluding exposure to sovereigns, central banks and the trading portfolio).

The ratio numerator comprises exposure to these four portfolios:

1. Financial corporations.
2. Non-financial corporations.
3. Households.
4. Local governments.

From 2022, companies must make their eligibility ratio public before calculating and publishing the GAR in 2024. The eligibility ratio is calculated like the GAR. The only difference is that the eligibility ratio numerator covers activities included in the Taxonomy but doesn't determine if they meet the technical criteria that it establishes to consider an activity "green" (environmentally sustainable).

The European Commission has two approaches to calculate the eligibility ratio: mandatory reporting based on information that is publicly disclosed by counterparties; and voluntary reporting, which is an estimate based on proxies when no information about eligibility has been made public by counterparties.

Taking into account its definition, the eligibility ratio has the following limitations:

- Because the numerator and denominator consider different portfolios, it is not possible to reach 100% eligibility. The numerator covers minor exposure because it doesn't include certain portfolios the denominator does.
- The EU Taxonomy does not currently cover every activity that companies perform and banks finance. Therefore, financed activities that it does not assess (e.g. activities under one of the four other environmental objectives in the future) will only be included in the ratio's denominator. Furthermore, activities not included in the Taxonomy are not necessarily deemed harmful to the environment or unsustainable. They are not included because of the Taxonomy's current scope.

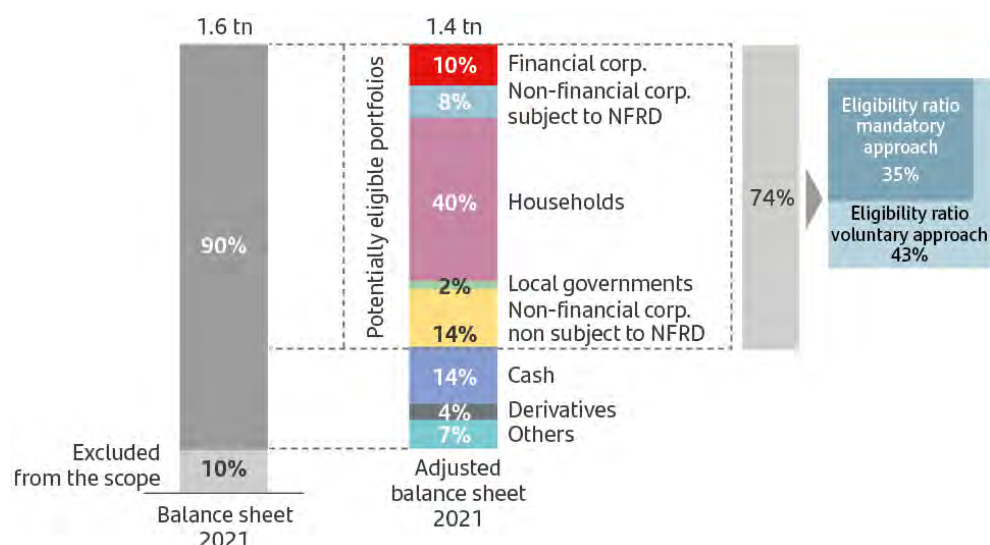
This report provides a ratio calculated exclusively on the household portfolio (which includes home equity loans, building renovation loans and auto loans), plus a voluntary ratio with proxies about the remaining portfolios: financial corporations, non-financial corporations and local governments. We consider proxies to meet, in the best possible way, the requirements of the Disclosures Delegated Act published in December and the FAQs the European Commission published on 20 December 2021 and 2 February 2022, and make interpreting them easier. We will broaden the scope of mandatory reporting as more data from our counterparties becomes available.

As of this report's publication date, no public information is available about our customers' eligibility ratios.<sup>8</sup> We supplemented the mandatory approach with a voluntary approach to offer the most complete eligibility ratio estimation possible.

<sup>7</sup> For now, the EU Taxonomy covers only two environmental objectives (climate change mitigation and climate change adaptation). However, in order to qualify as substantially contributing to these two objectives, the activity must cause no significant harm to the remaining four environmental objectives pending to be developed by the EU Taxonomy (sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems). Additionally, minimum social safeguards criteria must be met-

<sup>8</sup> The requirement to disclose the ratio of Taxonomy-based eligible and non-eligible economic activities will take effect for financial and non-financial corporations at the same time. Therefore, as of this report's publication date, we do not have information from non-financial corporations

## How did we calculate our proportion of eligible activities?<sup>9</sup>



Santander's eligibility ratio is 35% according to mandatory reporting and 43% according to voluntary reporting; however, our balance sheet's potential eligibility ratio is 74%.

### Numerator

To meet regulatory requirements, we calculated two numerators:

**Mandatory reporting:** includes information on the household loan portfolio (residential property loans, building renovation loans and vehicle loans).

**Voluntary reporting:** supplements the initial calculation with Santander's exposures to local governments and to financial and non-financial corporations. It includes non-financial corporations that are subject to, or exempt from, the Non-Financial Information Disclosure Directive, in line with the considerations of the Platform on Sustainable Finance<sup>10</sup> on voluntary reporting.

In voluntary reporting, we apply these proxies to exposures:

- **Financial corporations:** We only consider 5% of our global exposure, based on the European Central Bank's Investments in EU taxonomy-eligible activities, EU-taxonomy-aligned activities and activities exposed to transition risk study.
- **Non-financial corporations:** We consider eligible 33% of our exposure to non-financial corporations subject to the Non-Financial Reporting Directive (NFRD) and 23% to those not subject to it. We came up with this proxy based on counterparty data in our internal records.

### Denominator

Pursuant to the Disclosures Delegated Act, we calculated the eligibility ratio for 90% of the balance sheet. The 10% excluded comprises exposure to sovereign debt, central banks and the trading book.

### Eligibility ratios

As explained above, the mandatory ratio, which is the household exposures in the numerator divided by the denominator, as required by the Disclosures Delegated Act, is 35%.

The voluntary ratio, which includes exposures to financial and non-financial corporations and to local governments to supplement that mandatory quotient, is 43%. In addition, exposure to the four numerator counterparties (e.g. financial corporations, non-financial corporations, households and local governments) was 74% of the balance sheet (over the previously mentioned 90%).

<sup>9</sup> Article 10.3 (d) of the Disclosures Delegated Act: To meet EU Taxonomy disclosure obligations, we reviewed our activities according to Article 10 of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (the "Disclosures Delegated Act"). The information we disclosed within the scope of prudential consolidation in accordance with Title II, Chapter 2, Section 2 of Regulation (EU) 575/2013 comprises the full balance sheet for the 2021 fiscal year.

<sup>10</sup> The platform takes the place of the Technical Expert Group (TEG) on Sustainable Finance. Under Art. 20 of the Taxonomy Regulation, it will advise the EC on implementing technical selection criteria, revising the Taxonomy Regulation, drafting sustainable finance policy and dealing with social and other sustainability objectives. It will also perform monitoring tasks.

## Our exposures reported under the Disclosures Delegated Act

### Eligible activities under Article 10, 3 (a) of the Disclosures Delegated Act

Lending <sup>11</sup>	Proportion of eligible economic activities		Proportion of non-eligible economic activities		Coverage
	% <sup>12</sup>	EUR bn	% <sup>13</sup>	EUR bn	% <sup>14</sup>
Mandatory approach	35%	495.70	65 %	920.50	90 %
Voluntary approach	43 %	613.40	57 %	802.90	
Potentially eligible portfolios	74 %	1,050.90	26 %	365.30	

### Other exposures to report under Articles 10.3 (b) and (c) of the Disclosures Delegated Act

Counterparty	Proportion of exposure to total assets	
	%	EUR bn
Exposure to central governments, central banks and supranational issuers	7 %	103.3
Exposure to derivatives	4 %	59.1
Exposure to companies exempt from disclosing non-financial information pursuant to Article 19 bis and 29 bis of Directive 2013/34/EU	14 %	200.2
Trading portfolio	4 %	62.6
Interbank lending	1 %	9.8

## How do our financial strategy, product design and relations with customers and counterparties comply with Regulation (EU) 2020/852?

Our objectives are consistent with the EU Taxonomy. Our sustainable finance proposition to support our customers' transition considers the standards and enhancements of the EU Taxonomy. See 'Supporting the green transition'.



For more information on how do our financial strategy, product design and relations with customers and counterparties comply with the EU Taxonomy, please see section ['Supporting the green transition'](#).

<sup>11</sup> We identified relevant counterparties according to the breakdown of financial assets by instrument and industry of the Financial Reporting (FINREP) counterparties we use in other reports.

<sup>12</sup> Of the total assets included in the ratio calculation.

<sup>13</sup> Of the total assets included in the ratio calculation.

<sup>14</sup> Of the total assets of balance sheet.

## Environmental footprint

GRI 103-1, 103-2, 103-3

Santander's group-wide strategy is to reduce the ecological impact of our operations to protect and conserve our environment in line with our principles.

To ensure we correctly recognize and deal with our impact, our internal environmental management stands on these three pillars:

- Reducing and offsetting CO<sub>2</sub> emissions.
- Reducing and managing waste responsibly.
- Raising employees' and other stakeholders' awareness of environmental issues.

We've been measuring our environmental footprint (energy consumption, waste and emissions) since 2001. Since then, our strict energy efficiency and sustainability initiatives aims to ensure we have the lowest possible impact on the environment. Upon completing our Year-to-year plan (the 2015-2017 Plan and the 2019-2021 Plan)<sup>15</sup>:

- we reduced electricity consumption by 26%;
- we reduced CO<sub>2</sub> emissions by 88%; and
- we reduced paper consumption by 78%.

This significant drop in emissions was mainly due to our substantially lower electricity use and energy from renewable sources<sup>15</sup>.

2021 saw the end of the 2019-2021 Energy efficiency and sustainability plan Santander had executed, with projects to improve energy consumption; use raw materials in buildings; optimize space; and raise employees' awareness of the importance of reducing our environmental footprint inside and outside the office. That plan alone reduced our electricity consumption 4% and our atmospheric emissions by 2%.

We're working on our 2022-2025 energy efficiency and sustainability plan. Some of its +90 measures are:

- using more renewable energy (mainly solar) through self-consumption installations and long-term purchase agreements under which Santander is the end consumer;
- purchasing renewable electricity in every country where it's possible to certify its origin<sup>16</sup>;
- installing the latest temperature control and highlighting technology at our branches and office buildings;

- optimizing our use of space;
- creating more parking spaces at our buildings for electric and plug-in hybrid vehicles, and subsidizing electricity costs for our employees;
- using ISO 14001 as the basis for our environmental policies and objectives to reduce consumption, waste and emissions;
- obtaining LEED or BREEAM certification for our buildings; and
- raising awareness among employees in our 10 core markets (where we can confirm our electricity comes from renewable sources).

All of those measures are consistent with Santander's public commitment to be carbon neutral from 2020 by investing in emissions offsetting projects and by sourcing 100% of its electricity from renewable energy.

### Carbon neutral

In 2021, Santander set an ambitious goal to achieve carbon neutrality in all our internal operations. After, we offset the rest of emissions we were not able to cut, and each subsidiary was responsible to pay its share of emissions. In 2021, we selected four projects that obtained enough carbon credits to offset the Scope 1, 2 and 3 emissions we could not previously reduce through other means.

They cover renewable energy and reforestation, and are certified under some of the industry's most well-known standards. The Group brought together its core subsidiaries and several areas to demonstrate its strong commitment to reducing its ecological footprint and fighting climate change.

### Use of energy from renewable sources

75% of the energy our buildings consume comes from renewable sources; in Germany, Spain, Mexico, Portugal and the UK, that figure is 100%. We continue working on achieving 100% group-wide by 2025.

By buying green energy, we reduced emissions from electricity consumption by 56% and total emissions by 37%.

## Carbon offset projects



### Reforestation in Galicia

35-year project in Borela (Pontevedra), Spain to reforest 78.34 hectares of land with native species.



### Proyecto Oaxaca III

120 MW wind farm in Juchitán de Zaragoza, Oaxaca on the Isthmus of Tehuantepec in Mexico.



### Hydroelectric power production

10,656 MWh hydroelectric power plant to reduce greenhouse gases from fossil fuel electricity production in Nova Marilândia, Mato Grosso in Brazil's mid-west.



### Forest conservation in the Madre de Dios region

Project to prevent deforestation and protect degradation in areas in the Tambopata National Reserve and Bahuaja-Sonene National Park in Peru's Madre de Dios region.

<sup>15</sup> The Covid-19 pandemic caused most of our environmental footprint indicators to plummet, as low building occupancy and travel cancellations pared down energy consumption and emissions.

<sup>16</sup> In countries where electricity from renewable sources can be verified.

## Implementation and certification of Environmental Management Systems

An environmental management system can make sure a building's ecological impact is being handled properly. Santander aims to get the main buildings that it occupies in its core markets ISO 14001-certified.<sup>17</sup>

Santander also has these certifications:

- LEED PLATINUM for three buildings in Poland: Atrium I, Warszawa Atrium II and Business Garden Poznan.
- LEED GOLD for 10 buildings in Germany (Santander Platz and An der Welle 5), Brazil (Torre Santander and the Campinas data processing centres), Spain (Tripark, Abelian, Luca de Tena and the Santander North data centre) and Poland (Robotnicza, 11 Street).
- Zero Waste for the Santander Group City and for the first time, in the headquarters of Santander España.

Other buildings are also being reviewed for similar certifications.

### Other initiatives<sup>18</sup>

In 2020, we began to remodel our Pereda and Hernán Cortés buildings in the city of Santander. Both buildings' design achieved BREEAM certification.

We installed 150 additional electric car charging stations at our corporate centre, the Santander Group City in Boadilla del Monte (Madrid, Spain), bringing our total to 340. In Portugal, UK, and the US some of our buildings also have electric car charging stations.

Furthermore, some buildings in Chile and Brazil began to generate their own renewable power directly. We also distributed 2,544,161 Eco-cards (made out of materials such as PVC and PLA<sup>19</sup>) in 16 geographies, and expect to issue more in the next few years.

### Single-use plastics

As part of our public responsible banking commitments, we also set out to remove all unnecessary single-use plastic from offices and buildings in our core markets in 2021. By the end of the year, we had achieved that aim and are now guaranteeing that the materials used in the Group's dining areas, vending machines and delivery service are environmentally friendly.

### Climate awareness

Santander organizes local and global awareness campaigns to impress on employees the importance of reducing consumption and waste. Each subsidiary posts news and topics of interest relating to the environment and the Group's environmental initiatives on their internal portals.

For the twelfth year running, we took part in the Earth Hour, switching off the lights at our most emblematic buildings.

## 2021 Environmental footprint<sup>15 20</sup>

GRI 301-1, 301-2, 302-1, 303-3, 303-5, 305-1, 305-2, 305-3, 306-2, 306-3

Diff. 2020-2021 (%)		Diff. 2020-2021 (%)	
1,808,668 m <sup>3</sup>	-12.4%	118,517 tonnes	-39.0%
water consumed from the supply system		CO <sub>2</sub> equivalent	
		total emissions (market based)	
903 million kWh		Scope 1	
total electricity		25,672 tonnes	
		CO <sub>2</sub> equivalent	
		direct emissions	
7,345 T		Scope 2	
total paper consumption		57,425 T CO <sub>2</sub>	
		indirect emissions from electricity (market based)	
6,323,866 KG	6.7%	269,615 tonnes CO <sub>2</sub>	
paper and card waste		equivalent	
		indirect emissions from electricity (location based)	
3,714,227 GJ	-1.2%	Scope 3	
total internal energy consumption		35,420 tonnes CO <sub>2</sub>	
		equivalent	
		indirect emissions from employee travel	

<sup>17</sup> We have ISO 14001-certified buildings in Argentina, Brazil, Chile, Spain, Mexico and the UK.

<sup>18</sup> Light and noise pollution, however, are not considered significant given the nature of Banco Santander's business.

<sup>19</sup> PLA: Polylactic acid is a biodegradable polymer extracted from lactic acid.

<sup>20</sup> A two-year environmental footprint table, showing employee consumption and emissions is available under the [Key metrics](#) section in this chapter.

# Financial inclusion and empowerment

**Santander Finance for All** is our initiative to support financial inclusion and empowerment. We financially empower people in three ways:

## Access



We help people access and use basic financial services through simple payment platforms and cash-in/cash-out services in remote and small communities.

860k

people financially empowered in 2021

## Finance



We provide tailored finance to individuals and SMEs with lower access to credit or which are in financial distress.

1.1 mn

people financially empowered in 2021

## Resilience



We help people gain financial knowledge, making economic concepts more understandable and enabling them to make better financial decisions.

1.3 mn

people financially empowered in 2021



## Our goal

We believe we can help more people prosper and enjoy the benefits of growth by empowering them financially, giving them access to tailored financial products and services, and improving their financial resilience through education. We aim to financially empower 10 million people between 2019 and 2025.<sup>A</sup>

A. To assess our contribution to financial inclusion, we use a methodology with principles, definitions and criteria for counting people who have been financially empowered through our initiatives, products and services.

B. Cumulative since 2019.



## Progress

### Financially empowered people

	7.5 mn <sup>B</sup>	10 mn
2019	2021	2025

Since 2019, we have financially empowered: 2.2 mn people through access initiatives; 2.5 mn people through finance initiatives; and 2.8 mn people through resilience initiatives.

In Latin America, we focus on giving people access to the financial system. In mature markets, we seek to ensure that no one needs to leave it.

In the regions where we operate, we target unbanked and underserved individuals and SMEs who have higher barriers in accessing credit, have limited financial knowledge or are in financial distress.

**Euromoney named Santander "Best Bank for Financial Inclusion" and "Best Bank for Sustainable Finance in Latin America".**





## Access

GRI FS7 and FS14

We aim to make sure everyone can access the basic financial products and services they need, and know how to use them.

### Promoting digital access

We help people access the banking system through digital platforms so they can make payments; use basic, tailored financial services; take greater control of their finances; and make faster and more secure transactions.

860k

people financially empowered in 2021 through initiatives that promote access to the financial system.



#### Superdigital: Banking without a bank

Superdigital is Santander's flagship mobile platform for financial inclusion in Brazil, Mexico and Chile. It enables the unbanked and underserved to make cash deposits, withdrawals and payments.

With smartphone ownership growing and network coverage improving in Latin America, it helps communities through basic, user-friendly products and offers a unique banking experience supported by our own technology.

Superdigital enables people without a bank account to:

- make online transactions;
- split bills with others;
- get automated alerts about their finances.

Superdigital aims to serve 5 million customers by 2023 in Latin America.

So far, it has financially empowered 245k people.<sup>21</sup>



#### Cuenta Life

In 2021, we developed the "Life cycle" to customize our offer to support people financially at different stages of life.

Our clients, having contracted Life products, are part of the Meritoflife program, which has a special focus on education, actively encouraging good financial behaviour by rewarding people's efforts.

So far, this initiative has enabled more than 900k people get access to the financial system.



#### Getnet: Accelerating commerce for merchants and their connected ecosystem

Getnet is a global acquiring franchise developed to create opportunities for merchants worldwide. It improves the simplicity, speed, and safety of payments for merchants.

The service is currently present in Brazil, Mexico, Chile, Argentina, Uruguay and Europe, and supports 875k SMEs as of 2021. Additionally, long-tail customers, operating in large part in the informal sector, had an average TPV (Total Payment Volume) growth of 20% YoY.

Getnet has developed pioneering contactless payments solutions for Spain and Mexico public transport network, essential for those with lower income. And with many stores still closed, our Pay by Link solution allows small retailers to continue their day-to-day activities uninterrupted.

Getnet actively collaborates with Prospera, Santander's microfinance proposal in Brazil. It gives microentrepreneurs access to credit, and gives them financial inclusion solutions. This partnership has resulted in 22k active clients. They have increased their TPV by 14%, moving local economies.



#### Empowering the base of the pyramid

Santander Mexico's banking services financially empower the elderly and retirees. They tailor products and services to their needs, including consumer credit with custom insurance, fraud monitoring, and a separate credit admission policy and sales channel.

This has enabled Santander to empower 3,221 elderly persons and retirees with income of less than MXN 11,000 a month (EUR 440).

<sup>21</sup> Only Superdigital customers with a reported income below the country's minimum wage are considered financially empowered.

## Promoting access to the financial system

GRI FS13

We offer financial support to special groups so customers will not only have access to basic products, but also know how to use them.

Also, our agreements with private and state-run entities widen our footprint to ensure underserved communities can get cash anywhere.

### Branches in underbanked and remote regions



#### Financial inclusion branches and remote agents

Products designed for local communities help unbanked people access the financial system, providing inclusion and growth opportunities. Financial inclusion branches have already empowered more than 30k people.



#### Branches in sparsely populated regions

830 agent offices, 518 branches and ATMs provide access to finance and fight social exclusion in communities with under 10k inhabitants.



#### Branches in low income, small or isolated regions

We have 54 branches in low income, small or isolated communities. They benefit over 105k people, especially in Madeira and the Azores Islands, where 19 branches facilitate access to financial services to over 39k people.

### Support to our senior customers



#### Alzheimer's Society

We encouraged customers with dementia to inform us of their diagnosis through a partnership with Alzheimer's Society. After that, we customized our services for these customers with products adapted to vulnerable customers, such as the Carers Card.

This campaign has enabled us to help 6,654 customers so far.



#### Define Project

Thanks to an agreement with Universidad de Alicante and co-financed by the European Union, Santander helped the elderly increase their digital finance literacy to use online tools and avoid erroneous transactions and fraud.



#### Here & Now

In order to support elderly customers (+65), especially those unfamiliar with digital channels, we launched the "Here & Now" service.

In 2021, more than 85k customers were helped in the programme's second run.

### Partnerships to reach underserved communities



#### Correos Cash

Customers can withdraw and deposit cash at 4,675 post offices and rural help desks in Spain. Likewise, postmen and postwomen can deliver cash to all houses in Spain.

Through this partnership, we've helped 2.483 people.



#### Partnered retailers

Santander's partnerships with retailers enable customers to make basic transactions at more than 22,086 convenience stores, such as 7 Eleven and Oxxo.

## Finance

GRI 413-1 and FS7; SASB FN-CB-240a.1, FN-CB-240a.3, FN-CB-240a.4,

We seek to provide tailored finance to people with less access to credit.  
We offer solutions to unbanked and underserved groups.

### Finance for SMEs and entrepreneurs

We aim to foster social mobility by helping low-income and underbanked entrepreneurs set up and grow their businesses.

#### Santander Microfinance

Our microfinance programmes provide finance to unbanked and underbanked entrepreneurs in eight countries. In 2021, we launched new programmes in Colombia, Peru and Chile.

The programmes include tailor-made micro-loans that help micro-entrepreneurs meet their working capital needs, as well as savings products, current accounts, cards and micro-insurance. A large part of our lending goes to women, who are less likely to have access to financial services in developing countries

Our microfinance programmes benefit from a hybrid model of in-person and online agents, with disbursements in less than 24h and paperless, and the support of commercial agents, which enhances customer experience. Every programme is highly regarded, as it is reflected in the program's NPS, above 80.

# 1 million

microentrepreneurs supported in 2021

# EUR 571 million

total credit disbursed to micro-entrepreneurs in 2021

EUR 323 million in outstanding credit at the end of 2021

# 72%

of microentrepreneurs supported in 2021 are women

## Our micro-finance programmes in Latin America

### MEXICO

Launch: 2017

EUR 86 million disbursed in 2021

264k microentrepreneurs supported.

### PERU

Launch: 2021

EUR 3.2 million disbursed in 2021.

10k microentrepreneurs supported.

### ARGENTINA

Launch: 2018

EUR 98k disbursed in 2021.

173 microentrepreneurs supported.

### CHILE

Launch: 2021

Recent launch. 100% based on digital channels.

Tailors credit to customers' financial habits.



### EL SALVADOR

Launch: 2006

EUR 70 million disbursed in 2021.\*

54k microentrepreneurs supported.\*

### COLOMBIA

Launch: 2021

EUR 3.3 million disbursed in 2021.

5.4k microentrepreneurs supported.

### BRAZIL

Launch: 2002

EUR 473 million disbursed in 2021.

744k microentrepreneurs

### URUGUAY

Launch: 2019

EUR 4.4 million disbursed in 2021.

6.7k microentrepreneurs

\*These initiatives don't contribute towards our microfinance group results.

**Sílvio Neves**

Sílvio Neves, from Icoaraci in Belém, Pará state (Brazil), has been an artisan for 45 years. His products include traditional ceramic vases, which cost between BRL 10 and 350. He makes them in a wooden shed, where he couldn't install a kiln to finish production.

"I used to have to travel far to get access to a kiln, but then I managed to get a loan", says Sílvio. "With the loan from *Prospera*, he replaced the wooden shed with stone and installed the kiln."

The loan came in 2021, when a micro-finance agent knocked on his door offering financing. With other professionals from the Icoaraci Artisans Association, BRL 20,000 was raised, and half of the amount went to Sílvio to remodel his space.

"I had tried to get loans before, but the rates were too high. Now I have one I can repay."

**Virginia Álvarez Castillo**

Virginia lives in Valle del Chalco, Estado de México. When demand fell as the pandemic broke out, she had to give up selling shoes from a catalogue.

Thanks to Tuiio, she became a seamstress and started making and selling masks at MXN 15 each, helping her overcome the economic hardship the Covid crisis had caused.

Furthermore, Virginia's new job enabled her to deal with a greater loss: her parents. Now, she dreams of having a bigger business. About Tuiio, she says: "If it were a person, I would say to them "Thanks, friend. Thank you for supporting me when I needed it most".

**Luz Mary**

Luz Mary is a single mother of three in Zipaquirá, Colombia. She describes herself as a tireless fighter, and a forward-looking, optimistic person. She owns livestock and needed financing to cure her cattle of illness. She turned to *Prospera* to get a line of credit and continue her business.

When Luz Mary talks about *Prospera*, she tells of the trust and friendship between her and the people who work there. She says "I can only say thank you to Banco Santander for checking on me and being this supportive, and thank you, life, for letting me meet such charming people."

**Feliciano José Albino**

Feliciano is an indigenous woman who lives the Agua Zarca region in Pueblo Nuevo, Mexico. Thanks to Tuiio's financial education tool, she is able to bring help with savings to her community in their native language, Mazahua.

**Other local initiatives to support SMEs and entrepreneurs****Small business loans**

To continue to support small business customers impacted by the Covid-19 pandemic, Santander granted more than 7,900 Paycheck Protection Programme loans to small businesses in 2021, saving over 58k jobs.

EUR 90 million were lent to small businesses operating in low- to moderate-income communities across the bank's footprint.

**Loans to SMEs at their risk limit**

They include such alternatives to support SMEs as "Fondo Smart" and "Préstamos ICO".

They have enabled Santander to support 185k SMEs since 2019.

## Financing low-income households' basic needs

We offer products and services that enable low-income households to access housing and meet other basic financial needs.



### Affordable housing programmes

As part of Santander US's Inclusive Communities plan, housing and home improvement programmes support people through low-interest mortgages and paid mortgage insurance for low-income homebuyers.

This initiative has enabled Santander to help more than 130k people since 2019.



### Social housing fund

Banco Santander gave 1,100 homes to the "Fondo Social de Viviendas", including 1,008 to rent to low-income individuals.

In addition, Banco Santander has 573 homes to rent at affordable rates. A total of 1,581 rental agreements are signed with lower income customers.

## Special programmes for SMEs and individuals in financial distress



### Supporting customers in arrears

Helping vulnerable customers get out of arrears with self-service tools and direct colleague support.

This initiative enabled Santander UK to support 103k customers in financial distress in 2021.



### IRIS solutions to manage impairments

We review customers who are struggling financially and lend them a hand to support them in meeting their payment obligations.

Since 2019, we have renegotiated the debt of 30k customers and given payment holidays to 51k customers.



### Agreement with multilateral organizations

Santander signed agreements in Brazil, Spain, Poland and Portugal with the EIB, EIF and IFC to offer lines of credit with advantageous conditions that help mitigate the effects of the pandemic.

During 2021, those bodies continued the COVID-19 relief initiatives they started in 2020.



### Promoting Tresmares Capital - an independent alternative financing platform for SMEs

Tresmares takes ESG criteria into account in its investment decisions, both in the private equity and in the direct lending division. It seeks to foster growth in SMEs with a positive ESG footprint, and to increase ESG awareness and consciousness in management teams.

To date, Tresmares has invested more than EUR 600 million in Spanish SMEs in such sectors as education, preventive healthcare, sustainable agriculture and recycling solutions, and hopes to continue promoting significant changes in the Spanish economy.



### Further collaboration: investing in fintechs

Mouro Capital, the successor to Santander Innoventures, helps startups grow with business models that target people at risk of financial exclusion.

Through Mouro, we allocated EUR 340 million to the fund to invest in 42 fintech companies. We remain committed to deploying capital in such a fast growing space.

Mouro Capital is a responsible investor, incorporating ESG in its investment, and an active signatory of the UN PRI and UN Global Compact, promoting sustainability and diversity initiatives within the VC space.

Some financial inclusion initiatives we've supported are ePesos and Payjoy.

In our commitment to helping people and businesses prosper and to continue to support our fintech partners, we look for new partners to strengthen and expand our lines of action. Some of the new initiatives we've supported are:

Decent: Low-cost health insurance for self-employed individuals only operating in the US.

Upgrade: A US-based mainstream credit platform that's developing a more responsible credit product to help customers get out of persistent cycles of debt.



For more details, see '[Meeting the needs of everyone in society](#)' in this chapter.

## Promoting financial education

GRI FS7 y FS16

Our goal is to promote better financial health and market stability by making financial concepts easier to understand and helping people make better choices. Financial education is one of the 10 principles of our consumer protection policy.

We use apps and other digital channels to make financial education more accessible and maximize the impact of our initiatives by promoting:

- basic financial concepts
- better use of products and services
- better management of personal finance
- the use digital banking
- responsible consumption and fraud prevention
- entrepreneurship/training for SMEs
- sustainable finance
- behavioural economics

We strengthened our financial education proposition and created common principles for the Group that are consistent with the Organisation for Economic Co-operation and Development (OECD). As they apply to all initiatives, they guarantee the transparency and quality of our programmes and promote accessible, interactive education and sound decision-making.

79

Initiatives supported  
in 2021

1.3 million

People financially empowered  
from financial education initiatives  
in 2021

## 2021 Highlights



### Global financial education site

It offers content about financial education events. On top of that, it holds information on all of our financial education initiatives.



### Financial Literacy for All (FL4ALL)

A group of companies, business leaders, sports professionals, NGOs and entertainment groups dedicated to integrating financial education into US culture.



### The Numbers Game

Promoting financial education through a series of football-based challenges to reinforce the development of mathematical ability.



### Finanzas para Mortales - Educational justice

Alongside *Instituciones Penitenciarias* (Spain's prison authority) and the UCEIF foundation, the Santander Financial Institute (SANFI) ran employee-led basic finance courses to integrate people deprived of liberty. Employees taught prisoners ample economic and financial concepts to enable them to make responsible and informed decisions about daily personal and household finances.



### Universia financial education for higher education students

Using digital channels and developed by the Pontificia Universidad Católica de Chile, it aims to empower students from Instituto Profesional AIEP through tools to manage their finances.



### Financial education talks

During National financial education week, Santander México gave more than 20 financial education lessons, focusing on the responsible use of financial products and services.



### "Tempo é Dinheiro"

Financial education podcasts on such topics as savings, investment, responsible consumption and fraud prevention in the digital era.

## Partnerships to boost financial inclusion

### Getnet and Prospera

Without GetDay initiative, we are present in 35 cities, around 21 Brazilian states, ensuring access to our solutions throughout the country. We closed 2021 with 44k new entrepreneurs that count with Getnet to make their business grow and prosper.

### CEO Partnership for Economic Inclusion

Founded by the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, Her Majesty Queen Maxima of the Netherlands, the CEOP brings together an influential group of CEOs from several industries to boost financial inclusion around the world.

The collaboration of the CEOs and their companies represents the first high-level private-private partnership to further financial and economic inclusion. With a strong focus on finding sustainable solutions that can drive business growth, the group has agreed to develop partnerships and make specific commitments to expand inclusion among traditionally underserved customer groups such as women, farmers, migrants, and small business owners.



For more details, see  
[www.unsgsa.org/ceop](http://www.unsgsa.org/ceop)

### Santander BEST Africa

Santander BEST Africa (Building Equality through Sustainable Tourism) is the first development cooperation programme driven by Fundación Banco Santander. It's an initiative that aims to contribute to the social and economic development of Africa by supporting women entrepreneurs and their community in the tourism sector, which was greatly affected by the coronavirus crisis.

The programme has supported business continuity and employment during the pandemic and promotes the training and education of, and knowledge sharing between, women entrepreneurs as an effective means of reinforcing economic sustainability in the sector post-Covid.

One of the 34 projects that BEST Africa supports is the Women's Initiative The Gambia (WIG), led by Isatou Ceesay. She and four other women created a recycling centre in Gambia to help tackle the high amounts of waste that accumulate in their community. It acted as a catalyst for many other women to get involved, empowering them through participation in a sustainable and profitable initiative.



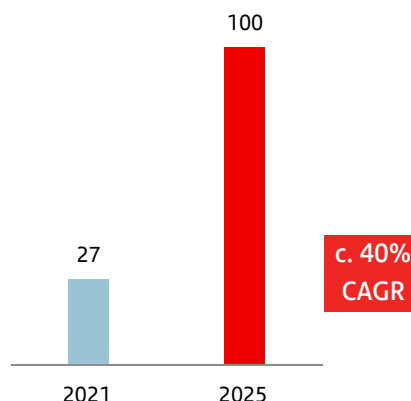
# Sustainable Investment

SASB FN-CB-240a.1, FN-CB-240a.3, FN-CB-240a.4,

## ESG in Wealth Management & Insurance

Sustainability is shaping our future and driving the opportunities we create for our clients. In 2021, we scaled up our push for sustainability, building on our initial ESG strategy from 2019 to become the best wealth and insurance manager in Europe and the Americas. We set the ambitious goal to reach 100 billion euros in sustainable AUM<sup>1</sup> by 2025, we created a global ESG strategy team to coordinate the efforts of our three businesses and we strengthened SAM's ESG dedicated team. We are deploying ESG training programmes for all our teams, conscious that our employees' engagement is crucial to the success of our strategy. We will continue working with our stakeholders on building a sustainable future through the strengthening of our ESG product offering across our three businesses.

### WMI SUSTAINABLE AuMs (€ BN)

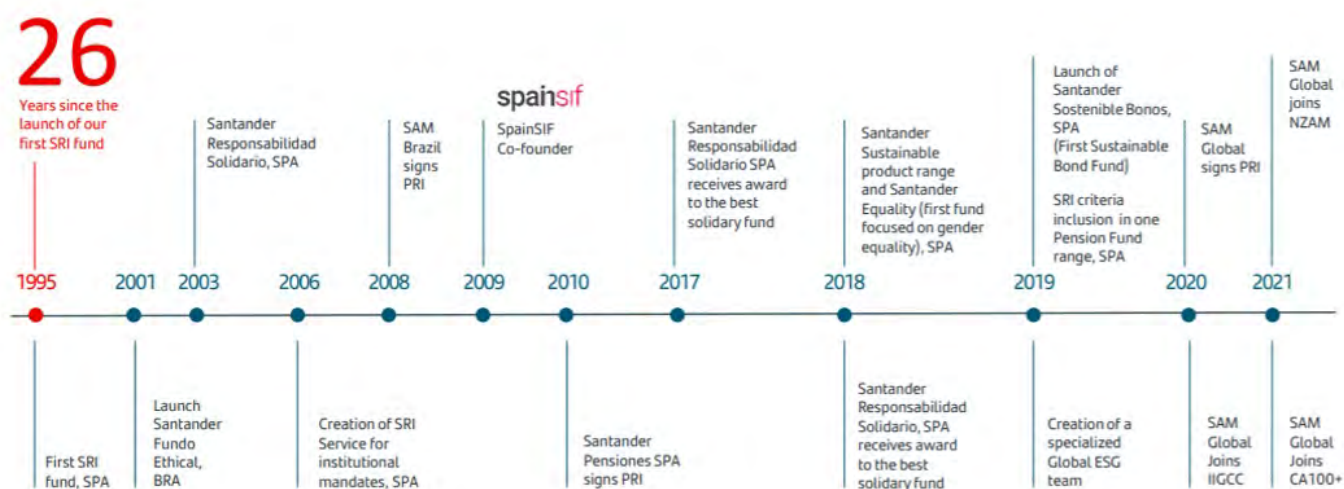


## Santander Asset Management

2021 was a crucial year for SAM and its ESG and climate-related commitments. In January, we joined Climate Action 100+, an investor-led collaboration that promotes cooperative dialogue to ensure the world's largest greenhouse gas emitters act on climate change. In March, SAM became the first asset manager in Spain and Latin America (minus Brazil) to sign up to the Net Zero Asset Managers initiative, pledging to become net zero by 2050 and setting the tentative goal of halving net emissions for 50% of our AUM (within the scope of net zero2) by 2030.

As member of the Institutional Investors Group on Climate Change (IIGCC) and signatory to the Principles on Responsible Investment (PRI), in SAM we continue to keep the highest standards in the industry. We're also proud to be the main sponsor of the Global PRI event to be held in-person in Barcelona in September 2022.

### A long-term commitment to sustainability and key achievements in 2021



**NET ZERO**  
ASSET MANAGER

**Climate Action 100+**  
Helping leaders drive business transition

**PRI** Principles for Responsible Investment

**IIGCC**  
The Institutional Investors Group on Climate Change

1. AuMs classified as Article 8 and 9 funds (SFDR) from SAM, plus third-party funds and other ESG products according to the EU taxonomy from Private Banking. We apply equivalent ESG criteria to SAM's funds in Latin America.
2. Assets within the net-zero scope are 54% of all SAM assets that currently have a net-zero methodology (of which nearly 50% have carbon measurement ratios). This target could be scaled up as data becomes available.

## Our ESG product offering

We offer a full line of ESG products. We have 11 billion euros in AUM in 29 ESG products and 80 mandates in six countries. We are focused on maximizing the number of Article 8 and 9 funds under SFDR and embedding ESG in our pension plans in Spain.

## Team, methodology and policies

We are the first asset manager in Spain with a global team dedicated to ESG investment and we continue to improve our ESG methodology (also used by Private Banking and Insurance). Our database covers 25,000 companies and 190 governments, helping us rate SAM and third-party funds and guiding our insurance partners (as asset owners) in their investment mandates with ESG standards.

We also integrated ESG criteria into our stewardship activities by increasing our focus and resources towards our engagement and voting strategy, promoting our global bilateral action with companies to increase their transparency and joining collaborative actions such as Climate Action 100+. Our new voting policy is consistent with our ESG principles. We aim to raise investors' awareness on ESG through our "Rethink invESTinG" publications.

During the past eight years our solidarity funds have donated 22.7 million euros to more than 25 NGOs and specific projects related to social economy, training for employment, health and financial education among other causes. Special donations have been done to La Paz University Hospital in 2020 and Cruz Roja logistics centre in La Palma in 2021. Our Santander Solidario 1 fund was awarded Spain's Best Solidarity Fund in 2021 by Expansion.



## SAM ESG product offering

Best-in-class ESG products in our core geographies



**San Sostenible RF 1-3**  
**San Sostenible Bonos**  
**3 Pension Funds**

**San Respons Solidario**  
**Inveractivo Confianza**  
**San Sostenible 1**  
**San Sostenible 2**  
**6 Pension Funds**

**San Sost. Acciones**  
**San Equality Acciones**  
**4 Pension Funds**

80 Mandates



**San Ethical Ações**  
**Go Global Equity ESG**



**SAM RV Global ESG**  
**SAM ESG**



**Acciones Global Desarrollado**



**San Sustentável**



**San Sostenible RF 1-3**  
**Go Global Equity ESG**

■ Fixed income ■ Balanced ■ Equity ■ Portfolios



For more details on our performance on ESG issues, see [www.santanderassetmanagement.com/sustainability](http://www.santanderassetmanagement.com/sustainability)



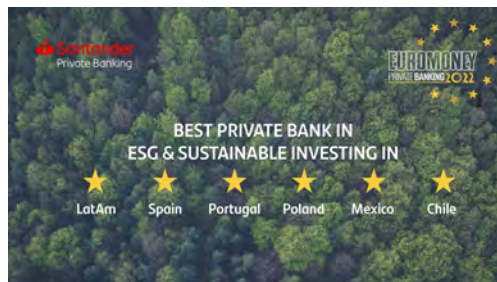
For more details on our net zero commitment, see [www.santanderassetmanagement.com/content/view/full/6924/file/NETZERO%20SAM\\_NOV21.pdf](http://www.santanderassetmanagement.com/content/view/full/6924/file/NETZERO%20SAM_NOV21.pdf)

## Private Banking

In 2021 we rounded off our proposition of impact solutions with renewable energy funds, green bonds, social bonds and equity options. Our sustainable assets (including SAM and third-party funds) amounted to 18 billion euros by the end of the year. Additionally, we provided our bankers with better ESG communications and learning materials, we designated ESG experts in every country and we improved ESG advisory products and services. We also included sustainability topics in our Wealth Talks, our series of exclusive conferences with clients.

Future Wealth, a thematic investment initiative we launched in 4Q'20, also considers the environment as part of its strategy to complement traditional investments with innovative and sustainable sources of growth and returns.

By 2022 we aim to offer sustainable portfolio management (with ESG analysis and reporting) in all our geographies. In the coming months, we will continue to make our list of funds under advice more sustainable by increasing the number of article 8 and 9 funds (according to SFDR).



For more details, see  
[www.santanderprivatebanking.com](http://www.santanderprivatebanking.com)

1. AuMs classified as Article 8 and 9 funds (SFDR) from SAM, plus third-party funds and other ESG products according to the EU taxonomy from Private Banking. We apply equivalent ESG criteria to SAM's funds in Latin America.

## Insurance

We are working on rolling out a sustainable insurance proposition in all our markets by 2024. Based on our social responsibility and with the aim of protecting families and businesses, we want our proposition to focus on 3 dimensions:

- Protect assets classified as sustainable (electric vehicles, green homes, etc.)
- Support types of insurance that contribute to the ESG dimensions (microinsurance, health and life insurance designed for specific target groups, etc.)
- Invest our insurance policies in sustainable assets (i.e. Life savings AUM invested under ESG)

As part of our regular business, we will continue adopting the UN's Principles for Sustainable Insurance (PSI) in all of our joint ventures.



# Support for higher education and other local initiatives

GRI 203-1, 203-2 and 413-1

## 2021 progress and 2019-2021 commitments

### Support for higher education



106 million  
euros invested

162,232  
beneficiaries of scholarships,  
internships and entrepreneurial  
programmes

### Community investment



46 million  
euros invested<sup>A</sup>

2.1 million  
people helped

#### Our 2019-2021 commitment

To finance 325,000 scholarships/internships and entrepreneur programmes<sup>B</sup>

#### → Results:

387,651  
beneficiaries of scholarships, internships and  
entrepreneurial programmes

#### Our 2019-2021 commitment

To help four million people through various social action programmes<sup>C</sup>

#### → Results:

6.1 million  
people helped

More than 150 million euros in total community  
investment in 2021<sup>A</sup>

Santander remains firmly committed to helping build an inclusive, equitable and sustainable society, with a higher education programme that we have been running through Santander Universities for over 25 years.

So far, **Santander Universities has helped more than 790,000 students, professionals, entrepreneurs and SMEs with over 2.1 billion euros** and partnerships with more than 1,000 universities in 15 countries.

A. In addition, Banco Santander made two extraordinary donations in 2021 to Fundación Banco Santander of 55,750,000 Banco Santander shares as financial support for it to bear (at least partially) the costs of fulfilling its founding purposes with the return on the shares. For more details, see 'Other community support programmes' in this section. Santander Portugal created a new foundation that will promote programmes with a high social, economic and environmental impact. The bank made a EUR 22,500,000 donation that will help the foundation begin operations, consolidate its financial base and cover the costs it will incur in pursuit of its founding purpose in the coming years. In the US, Santander Holdings USA, Inc. donated USD 50 million to Santander Consumer USA Foundation so it can fulfil its founding purpose in the coming years by working with, and investing in, organizations and other entities that make a positive social and cultural difference in the communities we serve.

B. The initial target set for the period 2019-2021 was 200,000 beneficiaries of scholarships, grants and entrepreneurship programmes. At the beginning of 2021, and after meeting the target a year early, Santander Universities committed to grant an additional 125,000 scholarships and grants. For more details on the calculation methodology, see "Support for higher education" in this section.

C. For more details on the calculation methodology, see "Other programmes to support communities" in this section.

# Support for higher education

106

millions of euros to  
universities

997

partner universities and  
institutions in 15 countries<sup>A</sup>

162,232

beneficiaries of  
scholarships, internships  
and entrepreneurial  
programmes<sup>A</sup>

A. This figure only includes universities that have an agreement with Santander Universities. Adding Universia and Fundación Universia's data, the total figure is 1,415 universities and academic institutions in 28 countries.

We have been committed to higher education for 25 years. Santander Universities is a unique global programme that supports education, entrepreneurship and employability. We focus on three areas:

## Education



We support access to higher education and academic mobility and encourage excellence and equal opportunity.

40,632

educational scholarship beneficiaries

## Entrepreneurship



We support emerging ventures through access to world-class resources such as training, visibility and funding.

23,120

entrepreneurship beneficiaries

## Employability



We offer internships, training programmes and upskilling/reskilling grants for students and professionals.

98,480

employment, upskilling and reskilling  
scholarships beneficiaries

## Commitment

We believe education provides the basis for a fair society and strong economy. Through Santander Universities, we aim to award 325,000 scholarships, internships and entrepreneurship programmes between 2019 and 2021.<sup>B</sup>



## Progress

### Scholarships, internships and entrepreneurship programmes<sup>C,D</sup>



B. The initial target set for the period 2019-2021 was 200,000 beneficiaries of scholarships, grants and entrepreneurship programmes. At the start of 2021, and after meeting the target one year ahead, Santander Universities is committed to awarding a further 125,000 scholarships and grants.

C. Beneficiary measurement methodology, with procedures that are consistent with Banco Santander's global reporting system in order to determine the reach and intensity of Santander Universities' sponsorship policy in its areas of activity (e.g. education, employment and entrepreneurship). It provides a detailed view of the extent of Santander Universities' sponsorship and a final number of its beneficiaries. It also is the basis for Santander Universities' social impact assessment model.

D. The covid-19 pandemic changed our roadmap for 2020 and 2021. Many traditional (face-to-face) and mobility grants were replaced by online grants with a much broader scope.

## Santander Scholarships

We continued to deliver on our commitment to train people by helping them access higher education and academic mobility, boosting their employability and accompanying them in their lifelong learning, as well as encouraging excellence and equal opportunity.

In 2021, we expanded our scholarships to include programmes open to all profiles and ages, paying special attention to new market needs. That's why we're adding two more concepts to our scholarship programmes:

-**Reskilling**: Helping participants acquire new knowledge and skills in different areas, enhancing their professional versatility and increasing their career change options.

-**Upskilling**: Providing training in soft and hard skills to drive more efficient adaptation to current roles at a time of deep transformation and digitalization within companies.

Santander Scholarships has seven categories:

- **Santander Tech** to promote learning about computer programming, blockchain, machine learning, cloud & DevOps and product design strategies.
- **Santander Skills** to help develop the fundamental soft skills needed in today's workplace.
- **Santander Women** to prepare women with career development, leadership training and negotiation skills.
- **Santander Studies** to help students complete their studies with special aid to promote equal opportunity and academic excellence among low-income students.
- **Santander Language** for professional foreign language training.
- **Santander Internship** for university students' job training to provide recent graduates with quality entry-level job opportunities.
- **Santander Research** to provide undergraduates, graduates and PhD students with material and financial support to start or continue their research.

## Scholarship platform

The many scholarships we offer alongside universities and institutions around the world can be found on [www.becas-santander.com](http://www.becas-santander.com), which closed the year with nearly 2,5 million registered users. Here are a few examples:



### Santander Scholarships Women | W50 Leadership - LSE & Santander Women | Emerging Leaders - LSE

In both programmes, developed with LSE, we continued to mould women leaders. W50 is intense training for women with leadership skills and the ambition to be top-level executives. Emerging Leaders is for the next generation of leading women.



### Santander Scholarships Tech | Digital Business - The University of Chicago

To celebrate the 25th anniversary of Santander Universities, we worked with University of Chicago to create a special scholarship to teach new technologies and digital management models in highly competitive professional settings.



### Santander Scholarships Language I English for Professional development - University of Pennsylvania

Language skills are a springboard to the international market. This programme, developed with University of Pennsylvania, gave participants the opportunity to explore their career path and improve their command of English to accomplish professional objectives.



### Santander Scholarships Studies | Santander Graduação

A leading programme in Brazil, it targets underserved university students to provide them with financial aid to continue their studies (e.g. payment of enrolment fees, learning materials, food, transport and other costs).



### Santander Scholarships Studies | Erasmus

The core purpose is to promote academic excellence through international experiences, equal opportunity, inclusion and recognition for young people. In its third year, it awarded 2,152 scholarships for courses at educational institutions in the EU, as well as international internships.

### Pamela Riquelme, beneficiary of Santander Scholarships Women | W50 Leadership - LSE

"I not only felt closeness and support from professors and mentors at such a top-level school as the London School of Economics, but also joined a global, diverse network of exceptional women who shared, reflected and grew professionally and as women during the programme".

## Entrepreneurship

Santander Universities supports emerging ventures, through Santander X ([www.santanderx.com](http://www.santanderx.com)), by providing training and connecting them with the resources they need to grow and prosper.

### Global initiatives

In 2021 we set global challenges, ran another two Explorer programme's editions and launched 'Santander X 100', our global community of selected startups and scaleups from Santander X programmes that promotes innovation as a driver of productivity, economic growth and employment.

### Global Challenges

We launched three global challenges to support the most promising solutions that can scale up globally and foster innovation with visibility and training.

#### Santander X Environmental Challenge

An initiative to support innovative companies worldwide and promote a low-carbon economy. It has two categories which encompass multiple challenges related to climate change. Over 350 startups from all over the world entered.

The winners of the **Be Mindful Category** (to raise awareness about the importance of a small environmental footprint) were:

- **Xilinat** (Mexico), whose sustainable processes turn farm waste into a natural sweetener.
- **Plastecowood** (UK), which turns mixed plastic waste into durable and environmentally friendly plastic wood planks.
- **Breeze Technologies** (Germany), which enables companies to monitor, manage and optimize air quality indoors, in cities and in industrial facilities.

The winners of the **Be Sustainable Category** (to promote green finance and investment) were:

- **Cogo Connecting Good** (UK), an app that shows consumers and companies their carbon footprint's impact in real-time as well as how to reduce it.
- **ClimateTrade** (Spain), a carbon-offset marketplace where companies looking to become carbon neutral choose green projects to invest carbon credits in.
- **Scoobic Urban Mobility** (Spain), sustainable urban transport in the form of last-mile vehicles.

#### Santander X Global Challenge | Helping Businesses Prosper

We called upon startups and scaleups to submit innovative, scalable solutions that will help SMEs make the digital transition and be more efficient. Close to 500 companies took part.

The winners of the **Startup Category** were:

- **Privasee** (UK), a data protection platform that uses data mapping and self-updating privacy policies.
- **Social Piper** (Mexico), a social media marketing solution for SMEs that uses artificial intelligence.

The winners of the **Scaleup Category** were:

- **Whyline** (Argentina/US), a customer relationship management (CRM) service and marketing channel that clears sources of traffic and data for faster experiences with daily tasks.
- **Alyne** (Germany), a cyber-security and regulatory compliance solution that uses artificial intelligence.

#### Santander X Global Challenge | Finance For All

A new global challenge for startups and scaleups to submit innovative solutions with growth potential that enable all members of society to obtain banking products and services. Six companies emerged victorious from the over 250 that took part.

The winners of the **Startup Category** were:

- **SympliFi** (UK), which enables immigrants to help their unbanked family members in their home country access financing.
- **Mosabi** (US), an e-learning business platform for better financial health.
- **Lana** (Spain), an app that helps self-employed workers grow their business.

The winners of the **Scaleup Category** were:

- **True Financial Link** (US), a platform that empowers a trustworthy relative to protect family members from unwanted transactions.
- **Bankuish** (EEUU), which gives freelancers and gig workers easy access to pre-approved loans.
- **Coinscrap Finance** (Spain), which enables banks and insurers to understand their customers better and open up new sources of revenue.

#### Francisco Bedito, CEO of ClimateTrade

Winner of Santander X Environmental Challenge in the Be Sustainable Category

"Top professionals from Banco Santander helped us develop and expand our green economy project. Initiatives such as the Santander X Environmental Challenge are, without a doubt, vital to promote and support green entrepreneurship".



**Santander X 100**

We launched 'Santander X 100', our global community of selected startups and scaleups from Santander X programmes that promotes innovation as a driver of productivity, economic growth and employment.

It's a new way for top, advanced-stage projects from different countries to network and access advice, training, capital, clients, talent and other valuable resources they need to keep growing.

Current members of Santander X 100 are from Argentina, Brazil, Chile, Germany, Mexico, Spain, the UK and the US.

**Local initiatives**

The Santander X local awards recognize and promote the best university entrepreneurial ventures in two categories: 'Launch', for projects preparing to go to market; and 'Accelerate', for high-impact startups preparing for accelerated and sustainable growth. The winning teams represented their countries and universities at the Santander X Global Awards.

We held awards contests in Argentina, Brazil, Chile, Mexico, Spain and the UK, with almost 800 projects submitted.

**Santander X Argentina Award | Emprendedor X****Santander X Brazil Award****Santander X Chile Award | Ideas X****Santander X Mexico Award****Santander X Spain Award****Santander X Entrepreneurship Awards****Explorer**

In 2021, we launched two new editions of Explorer programme in Spain to help turn business ideas into projects and solutions. It also touched down in Argentina, Brazil, Chile, Mexico and Portugal for the first time (in an online format).

So far, we've given over 10,000 young entrepreneurs the tools to turn their ideas into viable and sustainable solutions.

## Universia

Universia is the world's largest university network, with over 862 affiliated universities in 22 countries. It connects institutions, companies and talented people to create a large collaborative community that offers the best training and employability opportunities.

### Employability

Universia aims to support talented young people through these three pillars:

- **Guidance:** Personalized support for students that offers career and training advice to boost their employability.
- **Training:** Opportunities to undertake courses (bootcamps and postgraduate studies) and training programmes that teach key job skills, with access to scholarships, discounts, ISAs, loans and other funding.
- **Employment:** Connection with professional (internships or employment) and networking opportunities with companies through competitions, fairs and other events.

The Universia Jobs platform (<https://jobs.universia.net/>) has more than 9,000 registered companies and 139 universities with a combined 2 million enrolled students.

In 2021, the first **Universia Virtual Employability Fair** was held in Spain and Portugal, with 59 stands where companies and academic institutions promoted their job and learning opportunities.

We received more than 6,700 registrations for the event, which brought together talented people, instructors and employers to engage in direct dialogue through 22 separate talks.

Universia also organised the **Universia STEAM+: eSports Competition**, where Banco Santander, Atresmedia, Iberdrola, Indra, Naturgy, Nestlé and Securitas Direct were able to unearth fresh talent by testing the digital and interpersonal skills of almost 1,600 young people in an innovative environment.

For more details, visit [www.universia.net](http://www.universia.net)

## Fundación Universia

At Fundación Universia we focus on inter-university communities; diversity, inclusion and equity; and new models of responsible financing for access to education.

We are a leader in qualified employment and diverse talent development in companies that support inclusive, responsible and sustainable growth. At Banco Santander, we also act as a lever for cultural transformation, contributing to the inclusion of people with disabilities in education and employment.

Since 2021, Fundación Universia has promoted alternative responsible financing models through Plan Circular and bootcamps that use experiential and digital learning to facilitate access to the most in-demand professions.

Its strategic focus is centred on these UN Sustainable Development Goals (SDGs): Quality Education; Decent Jobs and Economic Growth; and Partnerships for the Goals.

### Digital transformation in universities

In just three years, **MetaRed** (which is supported by the Fundación Universia) has become the largest university network of information and communications technology (ICT) managers, counting over 1,500 professionals and 1,100 universities from 14 countries in Ibero-America.

It has facilitated training for more than 500 intermediate profiles, held over 75 top-level webinars and assessed the digital skills of some 20,000 university professors.



### Elianni Agüero, a story of progress

Elianni Agüero is 26 years old. She's from Cuba but lives in Madrid. After learning to walk again, adapting to living and studying in another country with a distinct culture, earning a technical degree and making it to Santander, "Overcoming" became her maxim at work and in life.

A computer programming engineer with a master's in Data mining and business intelligence from Universidad Complutense de Madrid, Elianni started as an intern on the Santander Start programme in 2021.

By July, she was signing a contract to join Data Analytics in the Strategy & People Insight function of Santander's Human Resources Division.

Fundación Universia supported Elianni in her job search and career development, while enabling Santander to attract the best talent.

For more details, visit [www.fundacionuniversia.net](http://www.fundacionuniversia.net)

420 scholarships  
for university students with  
disabilities

148 people  
with disabilities hired in  
companies

6,820 people  
benefiting from Fundación  
Universia's support

71 social  
ISAs under Plan Circular

## Other community support programmes



46

million euros in social investment



+1,400

joint initiatives with NGOs and social enterprises



2.1

million people helped



+28,000

volunteers<sup>A</sup>

A. For more details on volunteering, see 'Talented and motivated team' in this chapter.

We promote several initiatives and programmes that improve people's access to education and foster culture and well-being within our communities. We focus on:

### Support for childhood education



+790k

children and young people helped to attain a well-rounded, quality education.

### Support for social welfare



+1.3mn

people helped amid the risk of social exclusion or vulnerability.

### Support for the arts and science



We promote greater access for people to cultural events and programmes.



### Our commitment

We believe we can play a major role in improving the lives of the communities where we operate, and aim to help four million people through our community programmes between 2019 and 2021.<sup>B</sup>



### Our progress

#### People helped through community programmes (millions)



B. Santander has a corporate approach tailored to its requirements and special model to contribute to society. Reviewed by an external auditor, it consists of principles, definitions and standards to track the people who have benefited from our community investment programmes. It does not count those who have benefited from art and cultural initiatives.

C. Cumulative figure since 2019.

## Highlighted initiatives by country



### Latin America



- **TECHO:** Together with TECHO Chile, we support the thousands of families that still live in slums in our country, and projects that are in line with the education and progress of the people: a) **TECHO Para Aprender:** during 2021 the headquarters number 30 was inaugurated. In these places children and adolescents find safe spaces to develop in educational issues (complementary to school). These spaces are self-managed by the community and supported by the Bank and the Foundation.
- **Belén Educa:** for 21 years, we worked together Fundación Belén educa to support the children and adolescents from educational institutions through transversal academic programs. In 2021.
- **Capacitaciones de oficio:** through the donation of training hours from the bank, courses for adults are carried out together with a certified educational institution.
- **Compromiso País:** Santander has been part of this government initiative since 2018, whose objective is to reduce the high number of adults who have not completed their basic education.



In 2021, we helped over 230,000 people in more than 40 community job and digital training programmes.

- **Education scholarships:** We supported the scholarship programmes of Cáritas, Cimientos, Fundación León, Voy con Vos, Reciduca and other organizations. They help children, young people and families on their educational journey. 458 people benefited from Santander's support in 2021.
- **Centro Educativo Pescar:** We helped 40 young people aged 18 to 24 seeking support and opportunity get personal development and job skills training.



We maintained our actions to support society and continued with our private social investment strategy with our programs to support children, teenagers, the elderly and entrepreneurs.

- In the 19th edition of the Amigo de Valor Program, we raised R\$ 19.8 MM to support 100 initiatives throughout the country, benefiting over 12 thousand people.
- **Campanha Brasil sem Fome (Brazil without Hunger Campaign):** we accounted for the donation of 200,351 baskets of staple food.

In total, we accounted for 542.545 thousand people impacted by our social actions, such as the Amigo de Valor, Parceiro do Idoso, Blood Donation Campaign and Volunteer Program.



- **Teletón** is a flagship community support and social responsibility project that organizes fundraisers. Over 70% of civil servants take part in them to foster a culture of solidarity. In 2021, we raised over 186,000 euros, the highest of any company (for the second time).
- **Food drive:** Through NGO Redalco, we donated 26,483 meals to the people who needed them most due to the food crisis brought on by the pandemic.



## Europe



- Alzheimer's Society. From 2019 – 2021 we focused on how to better support customers with dementia as we aim to become the UK's best dementia-friendly bank. During 2021, we improved 16 Santander UK products and services, including creating a series of videos to help people affected by dementia understand complicated financial topics. Internally, we encouraged our colleagues to take our Dementia Friends e-training, fulfilling our guarantee that at least 50% of our employees are equipped to understand dementia. Our fundraising for Alzheimer's Society also continues through charitable activities, raising over £2million.
- Age UK. Since 2016, we've worked together with Age UK to increase the financial independence of older people. We've developed multiple initiatives such as awareness sessions to help prevent frauds and scams, delivered in local Age UK centres, as well as a programme to help older people learn and develop digital skills to make their lives easier and enable them to do more online.
- Santander Foundation. During 2021 we launched our new strategy for 2021 to 2024, helping people to become digitally and financially empowered. We want to provide grants to organisations in the UK, and support them in delivering digital and financial empowerment to people over the next three years.



- Double the power to help". Together with the Santander Bank Polska Foundation, we organised a collection to support the mental health of children and young people affected by the pandemic. PLN 2 million was donated to 16 hospitals.
- "Memory Gym". We supported the Shipyard Foundation's "Memory Gym" project by co-financing the printing of a mind training for seniors guide. It comprises activities, exercises and worksheets for conducting cognitive function training for the elderly. It also includes educational material on online and mobile banking for seniors. This programme has helped 3280 people.
- "Finansiaki". we support the development of competencies in the area of finance and entrepreneurship. The internet portal <https://finansiaki.pl/> includes materials containing ideas for building knowledge through playing with children and spending time together. The "Finansiaki" programme also includes lessons carried out by volunteers in schools and kindergartens. In 2021, 228 children participated in seven such meetings.
- "Here I live, here I change EKO". Santander Bank Polska S.A. Foundation's grant programme enables local communities to change their environment with parks, gardens, plant murals, "green" bus stops and other eco-projects. Out of 1,062 organisations that applied the competition, 58 projects were selected and co-financed with a total amount of PLN 300 thousand.



- We support Asociación Española Contra el Cancer (The Spanish association against cancer or "AECC") on its Mayores y Cáncer ("Senior citizens and cancer") initiative that promotes a comprehensive care model for patients over 65 and their families.
- We help Banco de Alimentos (Spain's food bank) deliver food to vulnerable groups. Employees volunteer as part of its annual Gran Recogida de Alimentos ("great food drive") campaign.
- Fundación Banco Santander works to build a more equitable, inclusive and sustainable society. We develop projects that cover: culture, environment and research and social action. We help over 200 NGOs a year with digitalization, training and funding for projects aimed at those most affected by the pandemic. We also launched our new Santander for the Seas project, which funded marine biodiversity initiatives with 450,000 euros.

The foundation is also in charge of preserving and publicizing the Banco Santander Collection. It is expected to play a part in operating the Pereda Building, our iconic headquarters that will soon become a modern space for culture and innovation following its refurbishment (now under way).

In 2021, Santander made two extraordinary donations to Fundación Banco Santander for a total of 55,750,000 Banco Santander shares. Those donations are intended as financial support for the Foundation, so that the return on the shares allows it to bear (at least partially) the costs of fulfilling its founding purposes.

We also continue to support the Best for Africa programme (see more information in the Financial Empowerment section).

For more details visit [www.fundacionbancosantander.com](http://www.fundacionbancosantander.com)



- #TodosJuntos campaign, to raise funds to give access to food and medicine to vulnerable people. €250.000 raised and 74,000 people helped.
- Café Joyeux Portugal. This initiative, developed by Associação VilacomVida, aims to promote the employability and certified professional training of people with intellectual and developmental difficulties.
- Santander Participatory Donation 2021: Santander employees chose 16 social and environmental institutions to be supported by the Bank.
- "Santander Mais Comunidade" Prize. This prize aims to reward and recognize the work of social and environmental organizations chosen by the public, via Santander Portugal's website.
- Partnership with the Portuguese Rugby Federation - social inclusion initiatives through Rugby have been developed with children and teenagers.
- 21 Associação Sara Carreira Scholarships. This Association's purpose is to support children and young people with limited resources, by granting them access to education.



## North America



Santander's charitable giving is focused on supporting not-for-profit organizations which help people prosper. 2021 contribution included:

- \$9 million to 207 nonprofit organizations focused on financial empowerment, through programming and services for financial education, workforce development, and career readiness for youth, students and adults
- \$4 million to 116 nonprofit organizations supporting small businesses and entrepreneurship, through programming and services providing technical assistance, business coaching and mentorship, education and capital grants
- \$5 million to 243 nonprofit organizations that increase access to affordable housing and create healthier neighbourhoods through programming and services providing education, housing preservation, and support to individuals and families lacking housing stability

Charitable giving is a pillar of our Inclusive Communities Plan, an \$11 billion, five-year commitment of lending, investments, and charitable contributions that began in 2017 and culminates at the end of this year.



More than 16 years ago we started fundraising campaigns throughout our ATM network to support social and environmental causes. Some of them are:

- UNICEF. To protect children's rights and the right to quality education. In 2021, we raised \$1,240,075 to help 12,807 indigenous children. We also made a LikeU seed donation of \$1,000,000 that benefited 1,569 children to meet their educational needs after schools closed because of the pandemic.
- *Fideicomiso Por los Niños de México, Todos en Santander*. We support children who are in a vulnerable economic and social condition by financing education, health and nutrition projects for them. In 2021, \$12,526,750 were donated via 85 projects that helped 13,683 children and teenagers.
- *Reforestamos* ("We reforest"). In 2021 we raised \$1,233,940 at ATMs, benefiting 6,800 people. The LikeU seed donation was \$200,000 and benefited 102 people.

# Key metrics

## Employees

GRI 102-7, 102-8, 102-41, 202-1, 202-2, 401-1, 403-9, 403-10, 404-1, 405-1, 405-2 and G4-FS6  
SASB FN-AC-330a.1, FN-IB-330a.1, FN0102-06

### 1. EMPLOYEES BY GEOGRAPHIES AND GENDER<sup>A</sup>

Geographies	N <sup>o</sup> employees		% men		% women		% graduates	
	2021	2020	2021	2020	2021	2020	2021	2020
Spain <sup>B</sup>	26,249	29,504	50	52	50	48	67	69
Brazil <sup>C</sup>	52,041	42,767	43	46	57	54	62	66
Chile	9,950	10,491	45	46	55	54	42	41
Poland	9,518	10,388	32	31	68	69	86	85
Argentina	8,525	9,058	52	53	48	47	39	53
Mexico <sup>D</sup>	25,957	21,572	46	45	54	55	38	56
Portugal <sup>B</sup>	4,818	6,015	53	54	47	46	63	57
UK <sup>B</sup>	17,578	20,945	44	43	56	57	17	18
USA	15,024	15,677	42	42	58	58	12	11
SCF	14,270	13,359	47	47	53	53	27	31
Others	13,140	11,413	57	53	43	47	47	49
<b>Total</b>	<b>197,070</b>	<b>191,189</b>	<b>46</b>	<b>46</b>	<b>54</b>	<b>54</b>	<b>47</b>	<b>51</b>

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

B. The decrease in headcount in these geographies is due to the restructuring processes carried out in 2021.

C. The increase in the number of employees in Santander Brazil was due to the high number of new hires, particularly in technology jobs.

D. The increase in the number of employees in Santander Mexico was due to the integration of outsourcing as the Bank's own staff.

### 2.1 FUNCTIONAL DISTRIBUTION BY GENDER 2020<sup>A</sup>

	Senior managers					Other managers					Other employees				
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe	1,115	75.3%	365	24.7%	1,480	7,350	63.1%	4,290	36.9%	11,640	32,937	44.0%	41,998	56.1%	74,935
North America	228	82.0%	50	18.0%	278	956	67.9%	453	32.2%	1,409	15,816	43.1%	20,875	56.9%	36,691
South America	319	76.0%	101	24.1%	420	3,247	59.0%	2,257	41.0%	5,504	26,614	45.2%	32,218	54.8%	58,832
<b>Group total</b>	<b>1,662</b>	<b>76.3%</b>	<b>516</b>	<b>23.7%</b>	<b>2,178</b>	<b>11,553</b>	<b>62.3%</b>	<b>7,000</b>	<b>37.7%</b>	<b>18,553</b>	<b>75,367</b>	<b>44.2%</b>	<b>95,091</b>	<b>55.8%</b>	<b>170,458</b>

### 2.2 FUNCTIONAL DISTRIBUTION BY GENDER 2021<sup>A</sup>

	Senior managers <sup>B</sup>					Other managers					Other employees				
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe	1,039	72.7%	390	27.3%	1,429	6,865	63.6%	3,926	36.4%	10,791	29,934	44.2%	37,773	55.8%	67,707
North America	223	78.8%	60	21.2%	283	1,181	67.0%	583	33.0%	1,764	18,299	44.1%	23,226	55.9%	41,525
South America	318	73.4%	115	26.6%	433	2,955	60.4%	1,934	39.6%	4,889	29,137	42.7%	39,112	57.3%	68,249
<b>Group total</b>	<b>1,580</b>	<b>73.7%</b>	<b>565</b>	<b>26.3%</b>	<b>2,145</b>	<b>11,001</b>	<b>63.1%</b>	<b>6,443</b>	<b>36.9%</b>	<b>17,444</b>	<b>77,370</b>	<b>43.6%</b>	<b>100,111</b>	<b>56.4%</b>	<b>177,481</b>

A. Data at year end.

B. The higher number of women classified as Senior Managers is the result of the progress made on the public commitment of Responsible Banking on women in senior positions, which aims for 30% of senior managers to be women by 2025.



**3.1. WORKFORCE DISTRIBUTION BY AGE BRACKET 2020<sup>A</sup>**

Number and % of total

	aged <= 25		aged 26 - 35		aged 36 - 45		aged 46 - 50		age over 50	
Europe	4,871	5.53%	17,996	20.44%	31,827	36.14%	13,484	15.31%	19,877	22.57%
North America	4,704	12.26%	15,597	40.64%	9,317	24.28%	3,279	8.54%	5,481	14.28%
South America	4,141	6.39%	29,498	45.55%	20,796	32.11%	5,072	7.83%	5,249	8.11%
<b>Group total</b>	<b>13,716</b>	<b>7.17%</b>	<b>63,091</b>	<b>33.00%</b>	<b>61,940</b>	<b>32.40%</b>	<b>21,835</b>	<b>11.42%</b>	<b>30,607</b>	<b>16.01%</b>

**3.2. WORKFORCE DISTRIBUTION BY AGE BRACKET 2021<sup>AB</sup>**

Number and % of total

	aged <= 25		aged 26 - 35		aged 36 - 45		aged 46 - 50		age over 50	
Europe	3,764	4.71%	15,659	19.59%	29,730	37.20%	13,316	16.66%	17,458	21.84%
North America	5,320	12.21%	17,817	40.89%	10,942	25.11%	3,505	8.04%	5,988	13.74%
South America	10,989	14.94%	29,107	39.56%	22,378	30.42%	5,616	7.63%	5,481	7.45%
<b>Group total</b>	<b>20,073</b>	<b>10.19%</b>	<b>62,583</b>	<b>31.76%</b>	<b>63,050</b>	<b>31.99%</b>	<b>22,437</b>	<b>11.39%</b>	<b>28,927</b>	<b>14.68%</b>

A. Data at year end.

B. The &lt;25 age group increase due to the incorporation of a company in the Group's perimeter with a high number of employees in this age group.

**4.1. DISTRIBUTION BY TYPE OF CONTRACT 2020<sup>A</sup>**

	Permanent / Full time					Permanent / Part-time				
	Men		Women		Total	Men		Women		Total
Europe	39,325	50.9%	37,957	49.1%	77,282	874	11.7%	6,576	88.3%	7,450
North America	16,681	44.9%	20,500	55.1%	37,181	135	24.9%	499	78.7%	634
South America	29,927	46.9%	33,861	53.1%	63,788	232	25.6%	676	74.4%	908
<b>Group total</b>	<b>85,933</b>	<b>48.2%</b>	<b>92,318</b>	<b>51.8%</b>	<b>178,251</b>	<b>1,241</b>	<b>13.8%</b>	<b>7,751</b>	<b>86.2%</b>	<b>8,992</b>

	Temporary / Full time					Temporary / Part-time				
	Men		Women		Total	Men		Women		Total
Europe	992	37.4%	1,658	62.6%	2,650	211	31.4%	462	69.0%	673
United Kingdom	184	32.7%	379	67.3%	563	0	0%	0	0%	0
South America	21	35.0%	39	65.0%	60	0	0%	0	0%	0
<b>Group total</b>	<b>1,197</b>	<b>36.6%</b>	<b>2,076</b>	<b>63.4%</b>	<b>3,273</b>	<b>211</b>	<b>31.4%</b>	<b>462</b>	<b>69.0%</b>	<b>673</b>

**4.2. DISTRIBUTION BY TYPE OF CONTRACT 2021<sup>A,B</sup>**

	Permanent / Full time					Permanent / Part-time				
	Men		Women		Total	Men		Women		Total
Europe	35,465	51.0%	34,119	49.0%	69,584	826	12.6%	5,706	87.4%	6,532
North America	19,222	45.5%	23,031	54.5%	42,253	119	21.0%	448	79.0%	567
South America	31,510	45.1%	38,398	54.9%	69,908	853	23.8%	2,725	76.2%	3,578
<b>Group total</b>	<b>86,197</b>	<b>47.4%</b>	<b>95,548</b>	<b>52.6%</b>	<b>181,745</b>	<b>1,798</b>	<b>16.8%</b>	<b>8,879</b>	<b>83.2%</b>	<b>10,677</b>

	Temporary / Full time					Temporary / Part-time				
	Men		Women		Total	Men		Women		Total
Europe	1,398	42.0%	1,933	58.0%	3,331	149	31.0%	332	69.2%	480
United Kingdom	362	48.1%	390	51.9%	752	0	0.0%	0	0.0%	0
South America	47	55.3%	38	44.7%	85	0	0.0%	0	0.0%	0
<b>Group total</b>	<b>1,807</b>	<b>43.4%</b>	<b>2,361</b>	<b>56.6%</b>	<b>4,168</b>	<b>149</b>	<b>31.0%</b>	<b>332</b>	<b>69.2%</b>	<b>480</b>

A. Data at year end.

B. The increase in part-time permanent employees in South America is due to the addition of a company in the Group's perimeter with a high number of part-time permanent employees.

**5. ANNUAL RATE OF CONTRACTS BY GENDER**

	2021			2020		
	Men	Women	Total	Men	Women	Total
Employees with permanent /full time contract	84,724	92,308	177,033	85,796	94,435	180,231
Employees with permanent/part-time contracts	1,776	9,502	11,277	1,155	7,717	8,872
Employees with temporary/full-time contracts	1,158	1,776	2,934	1,441	2,291	3,732
Employees with temporary/part-time contracts	165	292	456	211	470	681
<b>Group Total</b>	<b>87,822</b>	<b>103,878</b>	<b>191,700</b>	<b>88,603</b>	<b>104,913</b>	<b>193,516</b>

**6.1. ANNUAL RATE OF CONTRACTS BY AGE BRACKET 2020**

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Employees with permanent /full time contract	10,668	58,474	59,343	20,825	30,922	180,231
Employees with permanent/part-time contracts	1,099	2,360	2,426	887	2,100	8,872
Employees with temporary/full-time contracts	1,001	1,621	652	159	298	3,732
Employees with temporary/part-time contracts	209	252	143	26	51	681
<b>Group Total</b>	<b>12,977</b>	<b>62,707</b>	<b>62,564</b>	<b>21,898</b>	<b>33,370</b>	<b>193,516</b>

**6.2. ANNUAL RATE OF CONTRACTS BY AGE BRACKET 2021**

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Employees with permanent /full time contract	10,725	56,373	60,418	21,699	27,818	177,033
Employees with permanent/part-time contracts	2,641	2,923	2,733	924	2,055	11,277
Employees with temporary/full-time contracts	800	1,299	541	137	157	2,934
Employees with temporary/part-time contracts	150	159	82	13	52	456
<b>Group Total</b>	<b>14,317</b>	<b>60,754</b>	<b>63,774</b>	<b>22,772</b>	<b>30,083</b>	<b>191,700</b>

**7. ANNUAL RATE OF CONTRACT BY CATEGORY**

	2021				2020			
	Senior Managers	Other Managers	Other employees	Total	Senior Managers	Other Managers	Other Employees	Total
Employees with permanent /full time contract	2,118	17,194	157,720	177,033	2,150	18,911	159,169	180,231
Employees with permanent/part-time contracts	5	165	11,107	11,277	7	154	8,711	8,872
Employees with temporary/full-time contracts	16	81	2,836	2,934	13	83	3,636	3,732
Employees with temporary/part-time contracts	1	13	442	456	0	16	665	681
<b>Total Grupo</b>	<b>2,141</b>	<b>17,454</b>	<b>172,105</b>	<b>191,700</b>	<b>2,170</b>	<b>19,164</b>	<b>172,182</b>	<b>193,516</b>

**8. EMPLOYEES WHO WORK IN THEIR HOME COUNTRY<sup>A,B</sup>**

	Managers		Other employees		Total	
	2021	2020	2021	2020	2021	2020
	%					
Europe	87.26	88.45	95.76	95.38	95.61	95.27
North America	91.52	91.01	99.74	99.75	99.69	99.69
South America	91.46	91.19	98.22	98.25	98.18	98.21
<b>Group total</b>	<b>88.67</b>	<b>89.30</b>	<b>97.57</b>	<b>97.24</b>	<b>97.47</b>	<b>97.15</b>

A. Data at year end.

B. Data from US is not included as it is confidential information.

**9.1 DIFFERENTLY-ABLED EMPLOYEES RATIO BY REGION<sup>A,B</sup>**

%	2021	2020
Europe	1.74	1.64
North America	0.24	0.21
South America	3.07	3.27
<b>Group total</b>	<b>1.90</b>	<b>1.90</b>

**9.2. DIFFERENTLY-ABLED EMPLOYEES<sup>A,B</sup>**

Number of employees	2021	2020
Spain	408	386
Rest of the Group	3,295	3,191
<b>Total Group</b>	<b>3,703</b>	<b>3,577</b>

A. Data at year end.

B. Data from Mexico not included as it is confidential information.

**10. COVERAGE OF THE WORKFORCE BY COLLECTIVE AGREEMENT<sup>A</sup>**

Countries	2021		2020	
	%	N <sup>0</sup> Employees	%	N <sup>0</sup> Employees
Spain	99.92	26,228	99.80	29,444
Brazil	98.66	51,345	99.19	42,422
Chile	100.00	9,950	100.00	10,491
Poland	0.00	0	0.00	0
Argentina	73.78	6,290	72.64	6,580
Mexico	30.94	8,031	30.34	6,544
Portugal	99.42	4,790	99.14	5,963
UK	100.00	17,578	100.00	20,945
US	0.00	0	0.00	0
SCF <sup>B</sup>	51.73	7,382	56.89	7,600
Other business units	59.60	7,832	60.01	6,849
<b>Total Group</b>	<b>70.75</b>	<b>139,426</b>	<b>71.57</b>	<b>136,838</b>

A. Data at year end.

B. SCF data for 2020 recalculated to consider its US-based employees not covered by the collective bargaining agreement.

**11.1. DISTRIBUTION OF NEW HIRES BY AGE BRACKET 2020**

% of total	aged <= 25	aged 26-35	aged 36-45	aged over 45	aged > 50
Europe	25.93	39.57	23.55	6.13	4.82
North America	36.49	39.29	14.75	4.50	4.97
South America	19.67	50.67	22.18	3.97	3.51
<b>Group total</b>	<b>28.84</b>	<b>42.05</b>	<b>19.58</b>	<b>4.95</b>	<b>4.58</b>

**11.2. DISTRIBUTION OF NEW HIRES BY AGE BRACKET 2021<sup>A</sup>**

% of total	aged <= 25	aged 26-35	aged 36-45	aged over 45	aged > 50
Europe	27.57	40.68	21.92	5.84	3.98
North America	30.77	41.13	17.65	4.78	5.67
South America	32.33	46.57	16.68	2.61	1.80
<b>Group total</b>	<b>30.84</b>	<b>43.24</b>	<b>18.00</b>	<b>4.09</b>	<b>3.82</b>

A. The increase in new hires in South America was mainly due to the high number of new hires in Santander Brazil, especially in technology positions.

## 11.3. DISTRIBUTION OF NEW HIRES BY GENDER

	2021			2020		
	Men	Women	Total	Men	Women	Total
Europe	8.16%	7.34%	7.73%	7.79%	6.24%	6.97%
North America	36.95%	32.88%	34.72%	18.14%	19.55%	18.92%
South America	22.63%	17.04%	19.50%	9.03%	3.98%	6.34%
<b>Group total</b>	<b>19.68%</b>	<b>16.76%</b>	<b>18.09%</b>	<b>10.20%</b>	<b>8.25%</b>	<b>9.15%</b>

12. DISTRIBUTION OF DISMISSALS<sup>A,C</sup>

by gender	2021						2020					
	Men	% <sup>B</sup>	Women	% <sup>B</sup>	Total	% <sup>B</sup>	Men	% <sup>B</sup>	Women	% <sup>B</sup>	Total	% <sup>B</sup>
Senior managers	77	4.87%	18	3.19%	95	4.43%	30	1.81%	4	0.78%	34	1.56%
Other managers	719	6.54%	341	5.29%	1,060	6.08%	470	4.07%	225	3.21%	695	3.75%
Other employees	7,348	9.50%	9,237	9.23%	16,585	9.34%	4,267	5.66%	5,466	5.75%	9,733	5.71%
<b>Total Group</b>	<b>8,144</b>	<b>9.05%</b>	<b>9,596</b>	<b>8.96%</b>	<b>17,740</b>	<b>9.00%</b>	<b>4,767</b>	<b>5.38%</b>	<b>5,695</b>	<b>5.55%</b>	<b>10,462</b>	<b>5.47%</b>

by age	2021			2020		
	Men	Women	Total	Men	Women	Total
aged <=25	737	1,149	1,886	342	363	705
aged 26-35	1,961	2,535	4,496	1,502	1,878	3,380
aged 36-45	1,828	2,770	4,598	1,286	1,932	3,218
aged 46-50	743	863	1,606	499	553	1,052
aged >50	2,875	2,279	5,154	1,137	970	2,107
<b>Total Group</b>	<b>8,144</b>	<b>9,596</b>	<b>17,740</b>	<b>4,766</b>	<b>5,696</b>	<b>10,462</b>

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

B. Percentage expressing the number of dismissals over the total number of employees in each group.

C. Dismissals increased due to restructuring in some of the Group's subsidiaries in 2021.

13. EXTERNAL TURNOVER RATE BY GENDER<sup>A,B</sup>

% of total	2021			2020		
	Men	Women	Total	Men	Women	Total
Europe	17.62	17.32	17.46	8.71	9.46	9.11
North America	25.49	24.54	24.97	19.92	16.88	18.22
South America	21.03	18.94	19.86	14.54	14.11	14.31
<b>Group total</b>	<b>20.53</b>	<b>19.51</b>	<b>19.97</b>	<b>12.77</b>	<b>12.51</b>	<b>12.63</b>

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

B. The rate of rotation increased due to restructuring in some of the Group's subsidiaries in 2021.

14.1 EXTERNAL TURNOVER RATE BY AGE BRACKET<sup>A</sup> 2020

% of total	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Europe	26.36	10.58	6.17	5.48	10.58	9.11
North America	32.53	17.52	14.91	13.45	16.38	18.22
South America	15.50	14.15	12.96	12.91	20.88	14.31
<b>Group total</b>	<b>25.20</b>	<b>13.83</b>	<b>9.76</b>	<b>8.40</b>	<b>13.38</b>	<b>12.63</b>

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

**14.2. EXTERNAL TURNOVER RATE BY AGE BRACKET<sup>A</sup> 2021**

% of total

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Europe	38.63	18.70	11.04	8.62	29.27	17.46
North America	51.03	26.06	17.22	16.03	18.02	24.97
South America	25.73	20.87	16.90	13.51	21.36	19.86
<b>Group total</b>	<b>34.87</b>	<b>21.67</b>	<b>14.18</b>	<b>11.00</b>	<b>25.45</b>	<b>19.97</b>

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

**15. REMUNERATION BY FUNCTION, GENDER AND REGION<sup>A</sup>**

	Senior managers <sup>B</sup>				Other managers <sup>C</sup>			
	Men	Women	GPG ratio (Median) <sup>D</sup>	GPG-SAB ratio (Median) <sup>E</sup>	Men	Women	GPG ratio (Median) <sup>D</sup>	GPG-SAB ratio (Median) <sup>E</sup>
Europe	289,263	191,317	26.5%	21.1%	90,895	63,950	31.5%	26.5%
North America	690,088	445,220	18.4%	5.5%	233,580	196,908	5.6%	1.8%
South America	377,932	219,080	30.3%	17.3%	76,807	69,465	(4.4%)	(2.2%)
<b>Group total</b>	<b>427,242</b>	<b>265,458</b>	<b>29.3%</b>	<b>21.6%</b>	<b>128,859</b>	<b>100,224</b>	<b>13.9%</b>	<b>12.1%</b>
Total remuneration (average) <sup>A</sup>	384,971				118,633			
Group Total 2020	415,975				107,477			
Variation 2021 vs 2020 (%)	(7.5)%				10.4%			

	Other employees <sup>C</sup>								Total employees
	Men	Women	Ratio GPG (Median) <sup>D</sup>	GPG-SAB ratio (Median) <sup>E</sup>	Men	Women	GPG Ratio (Median) <sup>D</sup>	GPG-SAB ratio (Median) <sup>E</sup>	
Europe	49,648	38,065	19.4%	18.0%	57,269	40,052	20.9%	19.1%	47,596
North America	44,960	33,121	23.3%	14.7%	64,777	38,344	29.7%	26.2%	49,975
South America	23,510	17,094	16.8%	22.9%	29,080	18,511	19.4%	25.7%	23,210
<b>Group total</b>	<b>40,244</b>	<b>29,717</b>	<b>25.9%</b>	<b>27.0%</b>	<b>53,785</b>	<b>33,350</b>	<b>32.3%</b>	<b>30.0%</b>	<b>42,628</b>
Total remuneration (average) <sup>A</sup>	34,352				53,785	33,350	32.3%	30.0%	42,628
Group Total 2020	34,602				55,151	34,476	31.7%		43,867
Variation 2021 vs 2020 (%)	(0.7)%				(2.5)%	(3.3)%	2.0 %		(2.8)%

**By Age Brackets**

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Total remuneration (average) <sup>A</sup>	11,819	23,394	42,250	59,824	66,958	42,628
Group Total 2020	16,140	26,943	47,253	64,868	69,482	43,867
Variation 2021 vs 2020 (%)	(26.8)%	(13.2)%	(10.6)%	(7.8)%	(3.6)%	(2.8)%

A. Data at 2021 year-end. Employees' average total remuneration includes their annual base salary, pensions and variable remuneration paid in the year.

B. Includes group sr. executive vp, executive vp and vice-president.

C. The variation includes the effect of internal reclassification between employee categories in different geographies.

D. GPG Ratio (median) includes annual base salary and variable remuneration paid in the year.

E. GPG Ratio - SAB (median) includes annual base salary paid in the year.

**16. AVERAGE REMUNERATION SENIOR OFFICERS**

Thousands euros				2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executive officers <sup>A</sup>	1	1	2	10,724	13,752	12,238	6,247	7,239	6,743
Non-executive officers	7	5	12	363	293	334	239	207	227
Senior officers	12	3	15	4,758	1,597	4,126	3,610	2,288	3,362
Diff. Male vs Female				(66.4)%			(36.6)%		

A. Sergio Rial excluded from the calculation of executive directors

### 16.1 RATIO BETWEEN THE BANK'S MINIMUM ANNUAL SALARY AND THE LEGAL MINIMUM ANNUAL SALARY BY COUNTRY AND GENDER 2020

	% Legal Minimum Wage		
	Men	Women	% legal minimum wage
Germany	100.32%	100.32%	100.32%
Argentina	380.69%	380.69%	380.69%
Brazil	178.62%	178.62%	178.62%
Chile	179.14%	144.15%	161.64%
US	236.45%	236.45%	236.45%
Spain	175.29%	175.29%	175.29%
Mexico	160.09%	160.09%	160.09%
Poland	101.54%	100.00%	100.77%
Portugal	188.98%	188.98%	188.98%
UK	176.26%	176.26%	176.26%

### 16.2 RATIO BETWEEN THE BANK'S MINIMUM ANNUAL SALARY AND THE LEGAL MINIMUM ANNUAL SALARY BY COUNTRY AND GENDER 2021

	% Legal Minimum Wage		
	Men	Women	% legal minimum wage
Germany	205.45%	205.45%	205.45%
Argentina	375.62%	375.62%	375.62%
Brazil	185.62%	185.62%	185.62%
Chile	177.16%	145.36%	161.26%
US	259.78%	262.31%	261.04%
Spain	132.72%	155.44%	144.08%
Mexico	165.01%	165.01%	165.01%
Poland	100.00%	100.00%	100.00%
Portugal	181.95%	181.95%	181.95%
UK	206.58%	158.56%	182.57%

## 17. TRAINING

	2021	2020
Total hours of training	6,030,787.47	5,913,435.04
% employees trained <sup>A</sup>	99.05	100.00
Total attendees	5,578,255	5,939,158
Hours of training per employee <sup>A</sup>	30.60	30.93
Total investment in training	75,138,476	61,304,729
Investment per employee	381.28	320.65
Cost per hour	12.46	10.37
% female participants	53.39	53.66
% of e-learning training attendees	91.42	91.97
% of e-learning hours	76.22	48.06
Employee satisfaction (up to 10)	8.46	8.18

A. Calculated considering the staff at the end of each year. The incorporation of both employees and entities to the Group at the end of 2021 fiscal year has a signification impact on the result of this indicator in comparison to 2020.

**18. HOURS OF TRAINING BY CATEGORY**

	2021		2020	
	Hours	Average	Hours	Average
Senior officers	60,804	28.35	65,274	29.97
Managers <sup>A</sup>	695,353	39.86	940,619	50.7
Other employees	5,274,630	29.72	4,907,542	28.79
<b>Group total</b>	<b>6,030,787</b>	<b>30.6</b>	<b>5,913,435</b>	<b>30.93</b>

A. Fewer training hours due to downsizing.

**19. HOURS OF TRAINING BY GENDER**

	2021	2020
	Average	Average
Men	32.75	31.76
Women	28.8	30.21
<b>Group total</b>	<b>30.6</b>	<b>30.93</b>

**20. ABSENTEEISM BY GENDER AND REGION<sup>A,B,C</sup>**

	2021			2020		
	Men	Women	Total	Men	Women	Total
Europe	2.50	5.12	3.90	2.60	5.00	3.89
North America	0.93	1.75	1.38	0.81	1.56	1.23
South America	1.50	2.92	2.27	2.07	3.99	3.12
<b>Group total</b>	<b>1.83</b>	<b>3.63</b>	<b>2.80</b>	<b>2.08</b>	<b>3.97</b>	<b>3.11</b>

A. Days missed due to occupational accidents, non-work related illness and non-work related accident for every 100 days worked.

B. Santander UK does not count hours not worked due to covid-19 as absences so they will not affect the remuneration objectives set prior to the health crisis.

C. Banco Santander Brazil only considers the accidents that after an internal specialist investigation were recognized as work-related and had a Communication of work-related accident ("CAT") registered in the Brazilian Social Security in 2021. Likewise, this indicator only considers the cases that had 15 or more days of absence due to non-work-related accidents or common illness.

**21. ACCIDENT RATE<sup>A,B</sup>**

%	2021			2020		
	Men	Women	Total	Men	Women	Total
Europe	0.04	0.10	0.07	0.04	0.12	0.08
North America	0.00	0.02	0.01	0.01	0.02	0.01
South America	0.01	0.02	0.02	0.02	0.05	0.04
<b>Group total</b>	<b>0.02</b>	<b>0.05</b>	<b>0.04</b>	<b>0.03</b>	<b>0.07</b>	<b>0.05</b>

A. Hours missed due to occupational accident involving leave between the number of total hours worked. The hours worked are theoretical hours. This includes accidents *in itinere*.

B. Banco Santander Brazil only considers the accidents that after an internal specialist investigation were recognized as work-related and had a Communication of work-related accident ("CAT") registered in the Brazilian Social Security in 2020. Banco Santander Brazil only considers the accidents that after an internal specialist investigation were recognized as work-related and had a Communication of work-related accident ("CAT") registered in the Brazilian Social Security in 2021.



## 22. OCCUPATIONAL HEALTH AND SAFETY<sup>A,B</sup>

	2021			2020		
	Men	Women	Total	Men	Women	Total
Frequency rate <sup>C</sup>	1	1	1	1	2	2
Severity rate <sup>D</sup>	0.03	0.08	0.06	0.03	0.1	0.07
No. of fatal occupational accidents	0	0	0	1	0	1
Work related illness <sup>E</sup>	0	0	0	0	0	0
Total number of accidents <sup>F</sup>	183	388	571	197	475	672

A. Occupational injuries that can be documented are reported, without exception for serious injuries.

B. Banco Santander Brazil only considers the accidents that after an internal specialist investigation were recognized as work-related and had a Communication of work-related accident ("CAT") registered in the Brazilian Social Security in 2021.

C. Number of accidents at work with leave for every 1,000 hours worked. The hours worked are theoretical hours. In itinere accidents are included.

D. Days not worked due to work accident with leave for every 1,000 hours worked. The hours worked are theoretical hours. In itinere accidents are included.

E. No member of the group's staff is exposed to occupational diseases, given that the activity carried out by Santander professionals and the sector in which they operate is not recognized in Royal Decree 1299/2006.

F. Refers to occupational accidents with sick leave. Including accidents on the way to and from work.

## Customers

23. GROUP CUSTOMERS<sup>A</sup>

	2021	2020	var.
<b>Europe</b>	<b>45,899,479</b>	<b>47,122,309</b>	<b>(3)%</b>
Spain	13,571,008	13,970,512	(3)%
Portugal	3,060,473	3,047,020	—%
United Kingdom	23,569,326	24,516,785	(4)%
Poland	5,430,274	5,213,476	4%
Others Europe <sup>B,C</sup>	268,398	374,516	(28)%
<b>South America</b>	<b>63,031,232</b>	<b>57,208,967</b>	<b>10%</b>
Brazil <sup>D</sup>	53,445,934	48,347,665	11%
Chile	4,113,888	3,605,104	14%
Argentina	4,152,335	3,913,086	6%
Others South America <sup>E</sup>	1,319,075	1,343,112	(2)%
<b>North America</b>	<b>24,494,428</b>	<b>24,314,248</b>	<b>1%</b>
México	19,592,102	18,898,106	4%
United States <sup>F</sup>	4,731,155	5,136,495	(8)%
Others North America <sup>C,G</sup>	171,171	279,647	(39)%
<b>Digital Consumer Bank</b>	<b>19,436,550</b>	<b>19,610,511</b>	<b>(1)%</b>
Santander Consumer Bank <sup>H</sup>	17,857,599	18,237,909	(2)%
Openbank	1,578,951	1,372,602	15%
<b>Total</b>	<b>152,861,690</b>	<b>148,256,035</b>	<b>3%</b>

A. Figures corresponding to total customers, understood as the first holder of at least one product or service with a current contract. 2020 data has been redefined to accommodate 2021 reporting segments.

B. Rest of Europe: BP Rest (Bahamas and Switzerland), SCIB (not included individually in each country) and PagoNxt.

C. The changes in customers in these segments are due to changes in the scope of consolidation.

D. Brazil: Private Banking: Decision groups; Santander Financiamiento: Finaceira's exclusive customer data.

E. Rest of South America: Uruguay (including customers of Paganza, Creditel and Retop), Peru, Colombia and PagoNxt.

F. US includes BPI Miami

G. Rest of North America: PagoNxt

H. SCF includes customers in all European countries, including the UK.

## 24. DIALOGUE BY CHANNEL

	2021	2020	Var. 2021/2020 %.
<b>Branches</b>			
Number of branches	9,879	11,236	(12.1)%
<b>Digital banking<sup>A</sup></b>			
Users <sup>B</sup>	47.44	42.36	12.0 %

A. Santander Consumer Finance not included.

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

**25. CUSTOMER SATISFACTION**

	2018	2019	2020	2021
Argentina	83	86	90	91
Brazil <sup>A</sup>	80	86	89	n/a
Chile	86	86	87	90
Uruguay	95	94	93	96
Spain	87	86	87	84
Poland	98	98	99	96
Portugal	91	86	86	90
UK	97	96	94	95
Mexico	98	95	95	94
USA	83	88	87	88
<b>Group</b>	<b>89</b>	<b>90</b>	<b>91</b>	<b>92</b>

A. In 2021 Brazil has not measured the customer satisfaction indicator. It will measure it again in 2022.

**26. TOTAL COMPLAINTS RECEIVED<sup>A</sup>**


	2021	2020	2019
Spain	120,953	150,298	91,046
Portugal	3,570	4,036	4,655
United Kingdom	20,069	22,625	30,298
Poland	5,179	6,057	6,193
Brazil <sup>B</sup>	195,340	146,067	133,841
Mexico	82,033	80,031	75,459
Chile	8,009	8,328	6,474
Argentina <sup>C</sup>	5,013	3,512	4,106
US	3,205	4,292	4,097
SCF	35,215	39,064	30,535

A. Compliance metrics according to group-wide criteria, which may not match local criteria such as that of the UK's Financial Conduct Authority (FCA) or in Brazil.

B. Increase in Brazil due to the inclusion of claims that were handled independently last year and to the government's enhancement of official channels.

C. Increase in Argentina mainly due to fraudulent online purchases amid growing e-commerce since the outbreak of the pandemic.

## 27. Equator Principles

Category	Project Finance		
	A	B	C
<b>TOTAL</b>	<b>1</b>	<b>56</b>	<b>6</b>
 <b>Sector</b>			
Infrastructure	0	3	3
Oil & gas	0	2	1
Energy	1	51	2
 <b>Region</b>			
Americas			
United States	0	18	0
Chile	0	1	0
Mexico	0	1	0
Brazil	0	1	0
Europe			
Spain	0	23	1
United Kingdom	0	3	0
France	0	1	0
Portugal	0	0	3
Germany	0	1	0
Italy	0	2	1
Poland	1	3	0
 <b>Type</b>			
Designated countries <sup>A</sup>	1	52	5
Non-designated countries	0	4	1
 <b>Independent review</b>			
Yes	1	55	3
No	0	1	3

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

## 28. Country by country report

According GRI 207-4 TAX a country-by-country report of financial, economic, and tax-related information for each jurisdiction in which Santander operates is required. The information of profit/loss before tax, corporate income tax paid on a cash basis and number of employees, as well as the basis of calculation of this number, is already included in the appendix VI of the consolidated financial statements (Annual Banking Report):

EUR million

Jurisdiction	2021			
	Revenues from third-party sales <sup>A</sup>	Revenues from intra-group transactions with other tax jurisdictions <sup>A</sup>	Tangible assets other than cash and cash equivalents <sup>B</sup>	Corporate income tax accrued on profit/loss <sup>C</sup>
Germany	1,720	-56	2,015	184
Argentina	1,366	-2	640	75
Austria	180	-3	13	17
Bahamas	7	-2	1	0
Belgium	77	1	5	8
Brazil <sup>D</sup>	10,742	-158	1,621	1,710
Canada	61	-6	1	5
Chile	2,424	-13	389	13

China	22	0	4	-1
Colombia	49	2	3	3
United Arab Emirates	0	3	0	0
Spain <sup>E</sup>	6,448	1,137	12,312	66
United States	7,481	-54	14,732	391
Denmark	180	-4	36	25
Finland	82	36	49	13
France	818	6	89	90
Greece	0	0	1	0
Hong Kong	104	-10	5	4
India	0	1	0	0
Ireland	107	-144	970	1
Isle of Man	2	13	2	1
Italy	510	-2	32	71
Jersey	-9	51	7	2
Luxembourg	175	3	49	56
Mexico	3,613	-32	1,425	181
Norway	240	15	15	37
The Netherlands	97	-2	5	51
Peru	112	-2	3	17
Poland	1,935	10	256	95
Portugal	1,381	6	653	113
Puerto Rico	4	0	0	-1
United Kingdom	5,809	-10	1,985	518
Singapore	12	0	0	1
Sweden	180	0	7	12
Switzerland	133	6	52	7
Uruguay	342	-3	38	34
<b>Total Consolidated Group</b>	<b>46,404</b>	<b>787</b>	<b>37,415</b>	<b>3,799</b>

A. The figure of revenues from intra-group transactions with other tax jurisdictions includes interest income, interest expenses, commission income and commission expenses for transactions between Group companies with residence in different tax jurisdictions, as well as intra-group income which elimination is reflected in the total income of the consolidated income statement as the counterparty expense is recorded in another item of the consolidated income statement not included in total income.

B. Tangible assets: Composed by Tangible assets and Non-current assets held for sale, as well as Inventories.

C. The accrued corporate income tax is current year expense, not including deferred taxes.

D. Including the information relating to a branch in the Cayman Islands with Corporate income tax accrued of EUR 97 million.

E. Includes Corporate Center.

Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax are mainly due the criteria for calculating taxes, which establishes temporary or permanent restrictions on the deduction of expenses, exemptions, etc., generating the corresponding differences between tax and accounting result. Thus, in addition to the temporary differences that generate deferred taxes, as main adjustments to the taxable income it should be noted the monetary correction in Chile and Mexico, the hyperinflation adjustments in Argentina, the deduction of juros and taxes on margins in Brazil and in some cases, such as in Poland, permanent adjustments due to non-deductible expenses like Bank Levy or some recognized provisions; with the rest of the Group's relevant jurisdictions at rates close to their nominal rates.

## Environment and climate change

GRI 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 303-1, 303-3, 303-5, 305-1, 305-2, 305-3, 305-4, 306-2, 306-3, 306-4 and 306-5

### 29. ENVIRONMENTAL FOOTPRINT 2020-2021<sup>A</sup>

	2021	2020	Var. 2020-2021 (%)
<b>Consumption<sup>B</sup></b>			
Water (m <sup>3</sup> ) <sup>C</sup>	1,808,668	2,064,113	-12.4
Water (m <sup>3</sup> /employee)	9.76	11.07	-11.9
Normal electricity (millions of kwh)	227	395	-42.6
Green electricity (millions of kwh)	676	526	28.5
Total electricity (millions of kwh)	903	920	-1.9
Total internal energy consumption (GJ) <sup>D</sup>	3,714,227	3,758,183	-1.2
Total internal energy consumption (GJ/employee)	20.04	20.16	-0.6
Total paper (t) <sup>E</sup>	7,345	8,966	-18.1
Recycled or certified paper (t) <sup>E</sup>	6,020	7,336	-17.9
Total paper (t/employee)	0.04	0.05	-17.6
<b>Waste</b>			—
Paper and cardboard waste (kg) <sup>F,G</sup>	6,323,866	5,926,139	6.7
Paper and cardboard waste (kg/employee)	34.11	31.79	7.3
<b>Greenhouse gas emissions</b>			—
Direct emissions (CO <sub>2</sub> teq) <sup>H,I</sup>	25,672	24,818	3.4
Indirect electricity emissions (CO <sub>2</sub> teq)-MARKET BASED <sup>J,K</sup>	57,425	128,633	-55.4
Indirect electricity emissions (CO <sub>2</sub> teq)-LOCATION BASED <sup>J</sup>	269,615	282,216	-4.5
Indirect emissions from displacement of employees (CO <sub>2</sub> teq) <sup>L,M</sup>	35,420	40,708	-13.0
Total emissions (CO <sub>2</sub> teq) - MARKET BASED	118,517	194,159	-39.0
Total emissions (CO <sub>2</sub> teq/employee)	0.64	1.04	-38.6
Average number of employees	185,379	186,429	-0.6

A. The scope of information includes the main countries of operation: Argentina, Brazil, Chile, Germany, Mexico, Poland, Portugal, Spain, United Kingdom and United States (excluding Puerto Rico and Miami).

B. The decrease in consumption levels was partly due to the extension of the pandemic situation during the year, which has kept the occupancy of offices and branches at low levels throughout 2021, in contrast to the previous year, 2020, which recorded normal occupancy levels during the first months of that year. This was also the result of the Group's efforts to promote savings in the consumption of resources, especially paper.

C. Information is provided exclusively on water withdrawal from the public network.

D. It is also reported that the external energy consumption resulting from employee travel and business trips has been: 500,311GJ in 2021 and 579,155 GJ in 2020.

E. The figure for total paper and certified or recycled paper for 2020 has been recalculated from that published in 2020 report, based on information provided by the USA.

F. The data for 2019 and 2020 do not include waste from the commercial network in Brazil. The amount of paper and cardboard waste reported is managed in its entirety by authorised waste managers and is collected separately, which guarantees its proper recycling. Grupo Santander will work in the near future to ensure that all this waste undergoes recycling operations.

G. The increase in managed paper and board waste is mainly a consequence of the branch concentration process carried out in the Spanish branch network in 2021.

H. These emissions include those derived from the direct consumption of energy (natural gas and diesel, and additionally, in the particular case of Mexico, gasoline and diesel for automobiles and LPG) and correspond to scope 1, defined by the GHG Protocol standard. To calculate these emissions, the emission factors DEFRA 2021 for 2021 and DEFRA 2020 for 2020 were applied.

I. The slight increase between 2020 and 2021 is mainly due to the implementation of measures to increase air recirculation in offices and branches in the context of the Covid-19 pandemic situation.

J. These emissions include those derived from electricity consumption and correspond to the scope 2 defined by the GHG Protocol standard. In both 2021 and 2020 the IEA (International Energy Agency) emission factors for 2017 have been used.

- Indirect Electricity Emissions - Market-based: zero emissions have been considered for green electricity consumed in Germany, Spain, Mexico, Portugal and UK; also, it has been considered that in Argentina, Brazil, Chile, Poland and USA, part of electricity consumption is green energy. This altogether has meant a reduction of 212,190 tons of CO<sub>2</sub> equivalent in 2021 and 153,582 in 2020. For the rest of the electrical energy consumed, the emission factor of the IEA corresponding to each country has been applied.

- Indirect emissions of electricity - Location-based: the emission factor of the IEA corresponding to each country has been applied to the total electricity consumed, regardless of its source (renewable or non-renewable).

K. The reduction in indirect electricity emissions has been mainly due to the increase in the purchase of green energy in 2021 in the countries that make up the G10

L. These emissions include emissions from employees travelling from central services in each country to their workplaces by individual car, collective vehicle and rail, and from employees' business travel by air and car. The distribution of employees by type of travel has been made on the basis of surveys or other estimates. The conversion factors DEFRA 2021 for 2021 and DEFRA 2020 for 2020 were used to calculate emissions from employee travel. - The number of employees travelling to work in their own vehicles was estimated taking into account only the number of parking spaces in the central services buildings in each country and the diesel/petrol consumption mix of the vehicle fleet in each country. Data on employee travel by individual vehicle from Argentina, Poland and the United Kingdom are not reported, as the information is not available. - Employees' journeys in collective vehicles were calculated on the basis of the average distance travelled by the vehicles rented by Grupo Santander for collective transport of its employees in the following countries: Germany, Brazil, the US, Spain, Mexico, Poland, Consumer and Portugal, and within the central services of Spain (CGS) - Data on business trips by car from USA Consumer are not reported, as the information is not available. - Emissions derived from the use of courier services are not included, nor are those derived from the transport of funds, nor those from any other purchase of products or services, nor those indirect ones caused by the financial services provided.

M. Indirect emissions from displacement of employees have suffered a significant decrease. The main factors for this decrease are the reduction in mobility because of the covid-19 pandemic, in contrast to 2020, where the number of displacement of employees remained at normal levels at the beginning of the year. The reduced occupancy levels in 2021 have also contributed to the lower GHG emissions recorded.

# Non-financial information

## Law content index

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

	Description of the metric/concept included in the 11/2018 Law to be disclosed	Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators/Other regulations
0. General Information	Short description of the Group's business model (it will include its business environment, its organization and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future performance).	Business model and strategy (p. 6), What our stakeholders tell us (p. 24).	GRI 102-1 GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-6 GRI 102-7 GRI 102-14 GRI 102-15
	A description of the policies that the Group applies, which will include: the due diligence procedures applied for the identification, assessment, prevention and mitigation of risks and significant impacts and of verification and control, including the measures in which they have been adopted):	Governance (p. 29). Conduct and ethical behaviour (p. 37) (Environmental and social risk analysis section).	GRI 103-2 GRI 103-3
	The results of these policies, including key indicators of relevant non-financial results that allow the monitoring and evaluation of progress and that favour the comparability between companies and sectors, in accordance with national, European or international frameworks of reference used for each matter.	Inclusive and sustainable growth (p. 71). A talented and motivated team (p. 44). Governance (p. 29). Acting responsibly towards customers (p. 61).	— GRI 103-2 GRI 103-3
	The main risks related to these matters associated with the Group's activities (business relationships, products or services) that may have a negative effect in these areas, and how the Group manages these risks, explaining the procedures used to detect and assess them in accordance with national, European or international frameworks of reference for each matter. It must include information about the impacts that have been detected, offering a breakdown, in particular of the main risks in the short, medium and long term.	Supporting the green transition (p. 72). Acting responsibly towards customers (p. 61). Conduct and ethical behaviour (p. 37) (Environmental and social risk analysis section). Risk management and compliance chapter (p. 430).	GRI 102-15 GRI 102-30



1.  
Environmental  
Information

Description of the metric/concept included in the 11/2018 Law to be disclosed	Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators/Other regulations
Detailed information on the current and foreseeable effects of the activities of the company in the environment and, where appropriate, health and safety, environmental evaluation or certification procedures; the resources dedicated to the prevention of environmental risks; the application of the principle of caution, the amount of provisions and guarantees for environmental risks.	Supporting the green transition (p. 72).	GRI 102-29 GRI 102-31 GRI 201-2 GRI 103-2 (GRI of environmental dimension)
	Supporting the green transition (p. 72) (Environmental footprint section).	GRI 102-11 GRI 102-29
	Conduct and ethical behaviour (p. 37) (Environmental and social risks analysis section).	GRI 102-11
	At the end of the 2021 financial year, no significant account is presented in the Consolidated Annual Accounts of the Group that should be included in this chapter regarding environmental provisions or guarantees.	GRI 102-11
<b>Contamination:</b>		
Measures to prevent, reduce or repair CO <sub>2</sub> emissions that seriously affect the environment, taking into account any form of air pollution, including noise and light pollution.	Supporting the green transition (p. 72) (Environmental footprint section).	GRI 103-2 (GRI 302 y 305)
<b>Circular economy and waste prevention and management:</b>		
Waste prevention measures, waste recycling measures, waste reuse measures; other forms of waste recovery and reuse; actions against food waste.	Supporting the green transition (p. 72) (Environmental footprint section).	GRI 103-2 (GRI 306) GRI 301-2 GRI 306-3
<b>Sustainable use of resources:</b>		
Use and supply of water according to local limitations	Supporting the green transition (p. 72) (Environmental footprint section). Key metrics (p. 117).	GRI 303-5
Consumption of raw materials and measures taken to improve the efficiency of its use.	Supporting the green transition (p. 72) (Environmental footprint section). Key metrics (p. 117).	GRI 103-2 (GRI 301) GRI 301-1 GRI 301-2
Energy: direct and indirect consumption, measures taken to improve energy efficiency, use of renewable energies	Supporting the green transition (p. 72) (Environmental footprint section). Key metrics (p. 117).	GRI 103-2 (GRI 302) GRI 302-1 GRI 302-3
<b>Climate change:</b>		
Important elements of greenhouse gas emissions generated as a business activity (including goods and services produced)	Supporting the green transition (p. 72) (Environmental footprint section). Key metrics (p. 117).	GRI 103-2 (GRI 305) GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4
Measures taken to adapt to the consequences of climate change	Supporting the green transition (p. 72) (Environmental footprint section).	GRI 103-2 (GRI 305) GRI 201-2
Reduction targets voluntarily established in the medium and long term to reduce greenhouse gas emissions and means implemented for this purpose.	Supporting the green transition (p. 72) (Environmental footprint section).	GRI 103-2 (GRI 305)
<b>Protection of biodiversity:</b>		
Measures taken to preserve or restore biodiversity	The impacts caused by the direct activities of Banco Santander on biodiversity are not material due to the financial activity carried out by the entity.	GRI 103-2 (GRI 304)
Impacts caused by the activities or operations of protected areas		

	Description of the metric/concept included in the 11/2018 Law to be disclosed	Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators/Other regulations
2. Social	<b>Employment:</b>		
	Total number and distribution of employees by gender, age, country and professional classification	Key Metrics (p. 117).	GRI 103-2 (GRI 401) GRI 102-8 GRI 405-1
	Total number and distribution of contracts modes and annual average of undefined contracts, temporary contracts, and part-time contracts by: sex, age and professional classification.	Key Metrics (p. 117).	GRI 102-8 GRI 405-1
	Number of dismissals by: gender, age and professional classification.	Key Metrics (p. 117).	GRI 401-1
	Average remuneration and its progression broken down by gender, age and professional classification	Key Metrics (p. 117).	GRI 405-2
	Salary gap and remuneration of equal or average jobs in society	A talented and motivated team (p. 44) (Diversity and Inclusion section).	GRI 103-2 (GRI 405) GRI 405-2
	Average remuneration of directors and executives (including variable remuneration, allowances, compensation, payment to long-term savings forecast systems and any other payment broken down by gender)	Key Metrics (p. 117).	GRI 102-35 GRI 102-36 GRI 103-2 (GRI 405)
	Implementation of work disconnection policies	A talented and motivated team (p. 44) (The way we work section).	GRI 103-2 (GRI 401)
	Employees with disabilities	Key metrics (p. 117).	GRI 405-1
	<b>Organization of work:</b>		
	Organization of work time	A talented and motivated team (p. 44) (The way we work section).	GRI 103-2 (GRI 401)
	Number of absent hours	Key Metrics (p. 117). A talented and motivated team (p. 44) (Our wellbeing section).	GRI 403-9
	Measures designed to facilitate work-life balance and encourage a jointly responsible use of said measures by parents	A talented and motivated team (p. 44) (The way we work section).	GRI 103-2 (GRI 401)
	<b>Health and safety:</b>		
	Conditions of health and safety in the workplace	A talented and motivated team (p. 44) (Our wellbeing section).	GRI 103-2 (GRI 403)
	Occupational accidents, in particular their frequency and severity, as well as occupational illnesses. Broken down by gender.	Key Metrics (p. 117). A talented and motivated team (p. 44) (Our wellbeing section).	GRI 403-9 GRI 403-10
	<b>Social relations:</b>		
	Organization of social dialogue (including procedures to inform and consult staff and negotiate with them)	What our stakeholders tell us (p. 24). A talented and motivated team (p. 44) (Social dialogue and restructuring section). Acting responsibly towards customers (p. 61).	GRI 103-2 (GRI 402)
	Percentage of employees covered by collective bargaining agreements by country	Key Metrics (p. 117).	GRI 102-41
	Balance of the collective bargaining agreements (particularly in the field of health and safety in the workplace)	A talented and motivated team (p. 44) (Our wellbeing section)	GRI 403-1 GRI 403-4
	<b>Training:</b>		
	The policies implemented in the field of training	A talented and motivated team (p. 44) (Talent management section).	GRI 103-2 (GRI 404) GRI 404-2
	Total number of hours of training by professional categories.	Key Metrics (p. 117).	GRI 404-1
	<b>Accessibility:</b>		
	Universal accessibility of people	A talented and motivated team (p. 44) (People with disabilities section). Acting responsibly towards customers (p. 61). Support to higher education and other local initiatives (p. 107) (Fundación Universia section).	GRI 103-2 (GRI 405)

	Description of the metric/concept included in the 11/2018 Law to be disclosed	Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators/Other regulations
	<b>Equality:</b>		
2. Social	Measures taken to promote equal treatment and opportunities between women and men, Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, Policy against all types of discrimination and, where appropriate, integration of protocols against sexual and gender-based harassment and protocols against all types of discrimination and, where appropriate, management of diversity	A talented and motivated team (p. 44) (Diversity and Inclusion section).	GRI 103-2 (GRI 405 and 406)
	Application of due diligence procedures in the field of Human Rights	Governance (p. 29). Conduct and ethical behaviour (p. 37) (Environmental and social risk analysis section). Responsible Procurement (p. 68).	GRI 102-16 GRI 102-17 GRI 103-2 (GRI 412)
	Prevention of the risks of Human Rights violations and, where appropriate, measures to mitigate, manage and repair any possible abuses committed	Governance (p. 29). Conduct and ethical behaviour (p. 37) (Environmental and social risk analysis section). Responsible Procurement (p. 68).	GRI 410-1 GRI 412-1 GRI 412-3
3. Human Rights	Complaints about cases of human rights violations	A talented and motivated team (p. 44) (Speaking up, active listening and taking action section)	GRI 406-1
	Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organization regarding respect for freedom of association and the right to collective bargaining.	A talented and motivated team, Social dialogue and restructuring section	GRI 103-2 (GRI 406)
	Elimination of discrimination in respect of employment and occupation; elimination of forced or compulsory labour; and the effective abolition of child labour.	Conduct and ethical behaviour (p. 37) (Environmental and social risk analysis section)	GRI 103-2 (GRI 406)
4. Fight against corruption	Measures taken to prevent corruption and bribery	Governance (p. 29). Risk management and compliance chapter (p. 430) (7.2 Compliance and conduct risk management section)	GRI 102-16 GRI 102-17
	Measures to combat money laundering	Governance (p. 29). Risk management and compliance chapter (p. 430) (7.2 Compliance and conduct risk management section)	GRI 103-2 (GRI 205) GRI 205-1 GRI 205-2 GRI 205-3
	Contributions to non-profit foundations and entities	Support to higher education and other local initiatives (p. 107).	GRI 413-1

	Description of the metric/concept included in the 11/2018 Law to be disclosed	Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators/Other regulations
5. Information on the company	<b>Commitments of the company to sustainable development:</b>		
	The impact of the company's activity on employment and local development	Support to higher education and other local initiatives (p. 107). Financial inclusion and empowerment (p. 96). Conduct and ethical behaviour (p. 37) (Environmental and social risk analysis).	GRI 103-2 (GRI 203) GRI 203-1 GRI 203-2 GRI 411-1 GRI 413-1
	The impact of the company's activity on local towns and villages and in the country.	Support to higher education and other local initiatives (p. 107). Financial inclusion and empowerment (p. 96).	GRI 103-2 (GRI 203) GRI 203-1 GRI 203-2 GRI 413-1
	Relations maintained with the representatives of local communities and the modalities of dialogue with them.	What our stakeholders tell us (p. 24).	GRI 102-43 GRI 413-1
	Association or sponsorship actions	Support to higher education and other local initiatives (p. 107).	GRI 102-12 GRI 102-13
	<b>Outsourcing and suppliers:</b>		
	Inclusion of social, gender equality and environmental issues in the procurement policy	Responsible procurement (p. 68).	GRI 103-2 (GRI 204, 308 and 414)
	Consideration in relations with suppliers and subcontractors of their responsibility	Responsible procurement (p. 68).	GRI 102-9 GRI 103-2 (GRI 204, 308 and 414) GRI 204-1 GRI 308-1 GRI 414-1
	Supervision and audit systems and resolution thereof	Responsible procurement (p. 68).	GRI 103-2 (GRI 204)
	<b>Consumers:</b>		
	Measures for the health and safety of consumers	Acting responsibly towards customers (p. 61). Risk management and compliance chapter (p. 430) (7.2 Compliance and conduct risk management section)	GRI 103-2 (GRI 416, 417 and 418) GRI 416-1 GRI 417-1 G4-FS15
	Systems for complaints received and resolution thereof	Acting responsibly towards customers. (p. 61) Key metrics (p. 117). Risk management and compliance chapter, section 7.2 Compliance and conduct risk management.(p. 489) GRI content index.	GRI 102-17 GRI 103-2 (GRI 416, 417 and 418) GRI 416-2 GRI 417-2 GRI 418-1
	<b>Tax information:</b>		
6. Other relevant information	The profits obtained country by country	Auditor's report and 2021 annual consolidate accounts (p. 512). Annex VI Annual banking report and Auditor's Report and 2020 annual consolidate accounts, Annex VI Annual banking report	GRI 103-2 (GRI 207)
	Taxes on benefits paid	Conduct and ethical behaviour (p. 37) (Tax contribution section)	
	Public grants received	GRI content index (p. 144).	GRI 201-4
	EU Taxonomy	Information related to article 8 of EU Taxonomy	EU Regulation 2020/852 and Commission Delegated Regulations 2021/2139 of 4 June and 2021/2178 of 6 July

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

In addition to the contents mentioned in the previous table, the consolidated non-financial information statement of Banco Santander includes the following contents: 102-5, 102-9, 102-10, 102-12, 102-13, 102-18, 102-19, 102-20, 102-21, 102-22, 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-32, 102-33, 102-34, 102-37, 102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55, 102-56, 201-1, 201-3, 202-1, 202-2, 203-1, 203-2, 206-1, 207-1, 207-2, 207-3, 207-4, 302-1, 302-3, 303-1, 306-1, 306-2, 306-4, 306-5, 307-1, 308-2, 401-2, 402-1, 403-2, 403-3, 403-5, 403-8, 404-3, 405-2, 414-2, 415-1, 417-3, 419-1.

# UNEP FI Principles for Responsible Banking reporting index

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<b>Principle 1: Alignment</b> We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		
1.1. Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	<p>Santander is a retail bank operating in 3 geographies (Europe, North America and South America) and in 10 main markets. Furthermore, we have global businesses like Santander Corporate &amp; Investment Banking; Wealth Management &amp; Insurance; or Santander Global Platform.</p> <p>Our purpose as a company is to help people and businesses prosper. Our aim is to be the best open financial services platform, by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities.</p> <p>To this end, we integrate environmental, social and corporate governance (ESG) criteria into our business model.</p> <p>Our business model is based on three pillars:</p> <ul style="list-style-type: none"> <li>◦ Customer focus: Deepening the relationships with our customers through a simpler value proposition, superior customer experience and our digital proposition</li> <li>◦ Our scale: Local scale and leadership.</li> <li>◦ Diversification. Our geographic and business diversification allow us to overcome regional challenges in our footprint and business lines.</li> </ul> <p>Building on our technology to further strengthen our customers' loyalty.</p> <p>Our value proposition includes a broad variety of solutions. Products and services are tailored to meet the needs of our customers, taking advantage of global best practices, but adapted to local singularities.</p> <p>We strive to exceed our stakeholders' expectations and carry out our activity in a responsible way.</p> <p>Our activity allow us to contribute to several of the UN Sustainable Development Goals and support the Paris Agreement to fight climate change.</p>	<p>Corporate website: <a href="http://www.santander.com">www.santander.com</a></p> <ul style="list-style-type: none"> <li>• About us</li> <li>• Our approach</li> </ul> <p>Digital Annual review 2021</p> <p>2021 Annual Report:</p> <ul style="list-style-type: none"> <li>• <a href="#">Our approach</a></li> <li>• <a href="#">Business model and strategy</a></li> </ul> <p>Other references:</p> <p>Corporate website:</p> <ul style="list-style-type: none"> <li>• Financial report 2021</li> <li>• 2021 Earnings Presentation</li> </ul>
1.2. Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	<p>In order to contribute effectively to their achievement, we have carried out an analysis to identify and align our strategy with the SDGs on which Banco Santander has the greatest impact. This analysis has highlighted the most relevant goals for Grupo Santander, both in terms of its activity, commitments and strategic focus, as well as the different external factors considered. We have identified three SDGs in which the Group has the greatest impact (8, 13 and 16) and eight more to which we also make a very significant contribution through our activity and our social programmes (1, 4, 5, 7, 10, 11, 12, 13 y 17)</p> <p>Tackling climate change is a key objective at Santander. We support the Paris Agreement goals and our ambition is to be net zero carbon emissions by 2050. Our main lines of action are: a) align our portfolio with the Paris Agreement Goals and set sector portfolio alignment targets in line with the NZBA and with the NZAMi; b) help customers transition to a low-carbon economy; c) reduce our impact on the environment by remaining carbon neutral and sourcing all our electricity from renewable energy; d) embed climate in risk management; understand and manage the sources of climate change risks in our portfolios.</p>	<p>Corporate website: <a href="http://www.santander.com">www.santander.com</a></p> <ul style="list-style-type: none"> <li>• Our approach - Our contribution to SDGs</li> </ul> <p>2021 Annual Report:</p> <ul style="list-style-type: none"> <li>• Helping society tackle global challenges: 2030 agenda</li> </ul>

**Reporting and Self-Assessment  
Requirements**
**High-level summary of bank's response**
**Reference(s)/  
Link(s) to bank's full  
response/ relevant  
information**
**Principle 2: Impact and Target Setting**

**We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**

**2.1. Impact Analysis:**

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

- a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.
- b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.
- c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has:

- -identified and disclosed its areas of most significant (potential) positive and negative impact.
- - identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts.

Our in-depth materiality review included direct stakeholder input (internal and external interviews and surveys on the bank's ESG priorities), in line with best practice. Following the proposed Corporate Sustainability Reporting Directive (CSRD) and leading ESG reporting standards, we applied the principle of double materiality: (1) financial materiality (how ESG issues impact financial performance); and (2) environmental and social materiality (how ESG action impacts society and the environment). Our materiality assessment identified 15 ESG topics we should focus on. Classified in crucial, major and relevant issues. Among crucial topics are:

- Customer experience and satisfaction. Supporting customers and local economies with products and services that meet their needs. Giving them services and products that are Simple, Personal and Fair. Innovating and using digital technologies to maximize access to products and services
- Financial inclusion and empowerment. Designing, developing and delivering products and services that ensure access to the financial system and meet credit needs. Building resilience through financial education.
- Green finance. Supporting our customers in their transition to a low carbon economy by embedding environmental factors in products and risk analyses, and by supporting the growth of sustainable financial product markets
- ESG in risk management, embedding climate. Ensuring our risk management framework incorporates customers' and operations' environmental (e.g. climate) and social (e.g. human rights) risks, and outlining them in policies and procedures
- Culture, conduct & ethical behaviours. Ensuring exemplary conduct by everybody: being Simple, Personal & Fair in all we do; and embedding Risk Pro, ethical channels and best-in-class policies and controls on employees' internal conduct, transparency towards customers and ethical behaviour.

This annual report discloses information on progress and plans relating to addressing these and other topics.

In particular, in 2021:

- We committed to net zero emissions by 2050. We become founding member of UNEP FI's Net Zero Banking Alliance. And first decarbonization targets set.
- We develop our Sustainable finance classification system setting the criteria to offer, manage and report sustainable financing.
- We mobilized more than 32bn in green finance, and launched our third green bond raised EUR 1 billion in an eight-year non-preferred senior debt issue that will finance wind and solar power projects.
- We ranked in the Top 3 in NPS in 8 markets, up from 6 in 2020.
- We strengthen Santander Finance for all programme. Santander Chile, Santander Colombia and Santander Perú launched new microfinance programmes for entrepreneurs, while we continued to expand Prospera in Brazil and TUIIO in Mexico. In addition Santander Universities launched the Santander X Global Challenge | Finance For All to find innovative solutions that ensure access to banking products and services.

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chapter

- [What our stakeholders tell us](#)
- [ESG priorities](#)
- [Supporting green transition](#)
- Environmental and social risk analysis

2021 Annual Report  
Risk management and  
compliance chapter

- [1.2 Santander Top and emerging risks](#)

Other references:

- Climate finance report<sup>A</sup>

A. (This report is produced after the Annual Report and will be available throughout the month of July 2022 on our corporate website (currently available report 2020-June 2021))

Reporting and Self-Assessment  
Requirements

## High-level summary of bank's response

Reference(s)/  
Link(s) to bank's full  
response/ relevant  
information

## Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

We will continue to improve our materiality analysis and while further exploring and integrating recognised impact methodologies as started this year for our infrastructure operations.

## 2.2. Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

To meet the identified challenges, we have set 11 targets which reflect our commitment to building a more responsible bank.

- To be Top 10 company to work for in at least 6 countries
- To have between 40-60% of women on our board by 2021
- To have at least 30% of women in senior positions by 2025.
- To eliminate the equal pay gap by 2025.
- To facilitate the mobilization of €120 billion of green finance between 2019 and 2025
- To financially empower 10 million people between 2019 and 2025 through increasing microfinance activities, financial education programmes and other tools that give access to financial services.
- To be carbon neutral in our own operation by 2020
- To use 100% of our electricity from renewable sources in all countries by 2025.
- To eliminate unnecessary single-use plastics in corporate buildings and branches
- To fund 200,000 scholarships, internships and entrepreneur programmes between 2019 and 2021.
- To help 4 million people through our community programmes between 2019 and 2021.

Additionally we updated our climate strategy, committing to: i) aligning our power generation portfolio with the Paris Agreement by 2030; ii) stop providing financial services to power generation customers with a revenue dependency on coal of over 10% in 2030; iii) reduce our worldwide exposure to coal mining production to zero by 2030; iv) and the ambition to be net zero carbon emissions by 2050.

In 2021, we met (or exceeded) all our commitments for 2019-2021 and made progress on all our targets. Our new public commitments include initial decarbonization targets for the power industry for 2025 and 2030, which measure emission intensity.

- Thermal coal-related power & mining phase out
- Reduce emissions intensity of our power generation portfolio from 0.23 tCO<sub>2</sub>e/MWh to 0.18 tCO<sub>2</sub>e/MWh by 2025, and to 0.11 tCO<sub>2</sub>e/MWh by 2030
- Sustainable investment: 100 billion euros in assets under management with ESG criteria by 2025.

We'll continue to set decarbonization targets for the other sectors. Together with the targets for 2019-2025, they will form part of our new public commitments in the 2022-2025 agenda.

2021 Annual Report-  
Responsible Banking  
chapter

[-2021 Overview](#)

[- ESG priorities](#)

[-Supporting the green  
transition](#)

## Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

The bank has a set of SMART objectives focused on the areas where it can generate the most impact, in accordance with materiality analysis mentioned in the previous section.

## 2.3 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

The responsible banking forum and the Group's responsible banking, sustainability and culture committee are responsible for monitoring compliance with public commitments, together with other management and performance indicators in the area of responsible banking and sustainability.

Commitments are embedded and part of the Group financial planning, which a three year plan with yearly forecast.

The Responsible Banking unit and its network, in collaboration with the remaining areas and local units, defines short, medium and long term action plans to achieve the objectives.

In addition, the Bank's Management Control function has been involved to increase monitoring and quality of public commitments. This function is responsible for ensuring the consistency of information and provides regular monitoring of the various commitments.

2021 Annual Report-  
Responsible Banking  
chapter

[- 2021 overview](#)

[- Governance](#)



Reporting and Self-Assessment  
Requirements

## High-level summary of bank's response

Reference(s)/  
Link(s) to bank's full  
response/ relevant  
information

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

Grupo Santander has defined at corporate and local level, various action plans to boost our commitments.

## 2.4. Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

Grupo Santander regularly reports on the achievements and scope of its responsible banking strategy and targets.

In 2021, we met (or exceeded) all our commitments for 2019-2021 and made progress on all our targets.

Targets achieved:

- To be one of the top 10 companies to work for in at least six of the core geographies where we operate by 2021. In 2021: Top 10 in 6 geographies.
- To have between 40-60% women on our board by 2021. In 2021: 40%
- Carbon neutral in our own operations in 2020. In 2021 we have continued to implement measures to reduce our CO<sub>2</sub> emissions, and have offset the remaining emissions.
- To eliminate unnecessary single use plastic in our branches and corporate buildings by 2021. In 2021: 100% of reduction.
- To fund 325,000 scholarships, internships and entrepreneur programmes between 2019 and 2021. Since 2019: 387,651 scholarships (+19% target)
- To help four million people through our community programmes between 2019 and 2021. Since 2019: 6.1 million (+53% target)

Targets in progress:

- To have 30% women in our senior positions by 2025. In 2021: 26.3%
- To eliminate the equal pay gap by 2025. In 2021: 1%
- To finance or facilitate mobilization of €120 billion between 2019 and 2025 to tackle climate change. Since 2019: 65.7 billion
- To financially empower 10 million people between 2019 and 2025. Since 2019: 7.5 million
- To use 100% of our electricity from renewable sources in our buildings by 2025. In 2021: 75%

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Responsible Banking  
chapter

[- 2021 Overview](#)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

In 2021, we met (or exceeded) all our commitments for 2019-2021 and made progress on all our targets.

Reporting and Self-Assessment  
Requirements

## High-level summary of bank's response

Reference(s)/  
Link(s) to bank's full  
response/ relevant  
information

## Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1. Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

Being responsible means offering our customers products and services that are Simple, Personal and Fair.

Our product, service and consumer protection framework sets out the principles that promote a strong SPF relationship with customers and establishes the basics for managing and mitigating conduct risk in design, sales, post-sales and services.

The Compliance and conduct function abides by our Consumer protection policy, which sets out the highest ethical standards we expect our teams to uphold towards customers. We report on our consumer protection principles in all our geographies to make sure we embed them in our day-to-day. We use our customers' voice and business indicators to spot unsatisfactory customer service, fee-related issues, incidents at ATMs and other areas for improvement, and to come up with plans to address them.

Our product governance forum ensures the products and services that we market meet the needs of identified target segments and are reasonably and clearly priced. In 2021, we enhanced our ESG product validation and finally, 9 proposals were validated with impact on this matter

That's why all our employees undertake a mandatory, annual course on the management of conduct risks in sales and consumer protection. We run special training programmes for our sales teams to arm them with the knowledge and skills that will enable them to sell our products and services effectively.

In 2021, we worked on an instruction manual about our vulnerable customer and special case management model, and set a roadmap for its roll-out among subsidiaries, therefore ensuring a consistent, group-wide approach to identifying and managing vulnerable customers in such high-impact procedures as collections and fraud management

In 2021, we continued to focus on resolving complaints at the first point of contact with customers and on opening digital channels for quicker, alternative access to feedback mechanisms. We heightened the monitoring and reporting of customer issues in areas that are considered critical due to the knock-on effects of the pandemic.

Corporate website  
www.santander.com  
• Policies

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Responsible banking  
chapter

- [What our stakeholders tell us](#)
- [Governance](#)
- [Acting responsible towards customers](#)
- [Support to the green transition](#)
- [Financial inclusion and empowerment](#)
- [Sustainable investment](#)

3.2. Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

All our activity is guided by policies, principles and frameworks to ensure we behave responsibly in everything we do.

- The general sustainability policy sets out principles and commitments focused on adding value to our main stakeholders.
- The environmental, social and climate change risk management policy details how we identify and manage risks, in oil and gas, energy, mining and metals, and in soft commodities.
- The sensitive sectors policy establishes guidelines for the evaluation and decision making on participation of the Group in certain sectors, which could lead to reputational risks.

We developed our sustainable finance classification system (SFCS), which sets out sustainable finance definition in the group. Consistent with this, we have a catalogue of sustainable products and a green book.

We are a leader in renewable energy financing, and have a strong financial empowerment strategy - Santander Finance for All.

We issued our third EUR 1 billion green bond to finance and refinance renewable wind and solar power.

We're expanding our range of ESG products in Wealth Management. As of December 2021, we had over €27bn AuM.

Reporting and Self-Assessment  
Requirements

## High-level summary of bank's response

Reference(s)/  
Link(s) to bank's full  
response/ relevant  
information

## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1. Describe which stakeholders (or groups/ types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

Our strategy is based on a virtuous circle centred on trust and loyalty of our employees, customers, shareholders and communities. To achieve this we promote the active listening of our stakeholders. Listening, analysing, assessing and responding to their opinions and concerns we not only identify issues, we also spot opportunities, which allows us to guarantee our activity and to maintain the right functioning of the entire value chain.

In addition, we also regularly analyse the most relevant environmental, social and governance issues demands of analysts and investors. And we continuously monitor the emergence of new standards and good practice at international level. Actively participating in the consultation processes of both authorities and sectoral associations and other organizations that influence the development of relevant policies on the sustainable development agenda.

We have followed closely the adoption of the Taxonomy Regulation that sets the criteria for classifying economic activities as environmentally sustainable. It also dictates the information that financial and non-financial companies will have to disclose about the environmental impact of their activities.

As a result, we have published our banking products' eligibility under the EU Taxonomy. We also designed our Sustainable Finance Classification System to make classifying, monitoring and reporting on sustainable financing easier. It also guides our development of sustainable products and services fully in the line with our customers' expectations and the strictest market standards.

We are part of the main and most important local and global initiatives to support the inclusive and sustainable growth. Some examples are:

UNEP FI. We are a founding signatory to the United Nations Principles for Responsible Banking. In 2021, we continued participating in Phase III of the UNEP FI project on the TCFD's recommendations for banks.

World Business Council for Sustainable Development (WBCSD).

Banking Environment Initiative (BEI);

UN Global Compact,

CEO Partnership for Financial Inclusion; or

Equator Principles.

In 2021, in support of our Net Zero ambition, we joined the Glasgow Financial Alliance for Net Zero, Net Zero Asset Management and were co-founders to the Net Zero Banking Alliance. Within GFANZ, we co-led the Net Zero Public Policy and their call to action launched in October.

Our performance is also assessed by leading analysts and ESG indices (DJSI, MSCI, CDP, sustainability, ). Participating in these indices and trying to improve our position in them helps us to continuously improve our processes. In 2021 we have improved our positioning in all of them.

Finally, as a consequence of our commitment to transparency, we closely monitor all developments in ESG disclosure. In January 2021 we were one of the companies committed to implementing the World Economic Forum's Stakeholder Capitalism Metrics, and as a result this year we have taken this standard into account for the first time in the preparation of our Responsible banking chapter (Consolidated Statement of Non-Financial Information).

Annual report 2021 - Responsible banking chapter

- [What our stakeholders tell us](#)
- Partnership to promote our agenda
- [Shareholder value - ESG indices and analyst](#)
- Supporting the green transition - Sustainable finance classification system (SFCS)
- Supporting the green transition - Our banking products' eligibility under the EU Taxonomy
- [Stakeholder Capitalism Metrics content index](#)

Annual report 2021 - Economic and financial review

- [Economic, regulatory and competitive context](#)

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<b>Principle 5: Governance &amp; Culture</b> We will implement our commitment to these Principles through effective governance and a culture of responsible banking		
5.1. Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	<p>All our activity is guided by policies, principles and frameworks to ensure we behave responsibly in everything we do.</p> <p>The responsible banking, sustainability and culture committee (RBSCC) assists the board of directors in fulfilling its oversight responsibilities with respect to the Group's responsible banking strategy, sustainability and culture issues.</p> <p>The committee is supported by the RB forum, that executes the responsible banking agenda across the Group, drives decision-making on responsible banking issues and, ensures the execution of any mandates from the RBSCC, other Board committees and the board of directors. It also ensures alignment on key issues, including the review and escalation of reports to the RBSCC.</p> <p>To complete this corporate governance and drive progress on the responsible banking agenda, there is a Responsible Banking unit supported by a senior advisor on responsible business practices reporting directly to the Group's executive chairman.</p> <p>The culture and sustainability local units coordinate and foster their sustainable banking agenda, ensuring that they are aligned with the corporate strategy and policies. Likewise, each subsidiary has appointed a senior responsible for the sustainable banking function.</p> <p>Created in 2021, our new Responsible banking framework's establishes common principles, roles and responsibilities, key processes and governance drive us towards a more sustainable business model that delivers on our purpose to help people and businesses prosper. It also reinforces our commitment to Agenda 2030: the UN Sustainable Development Goals (SDGs), the Paris Agreement and the Principles for Responsible Banking.</p> <p>The Group's policies and guidance set the standard for all units. We systematically review the scope of policies relating to the integration of ESG criteria to ensure compliance with international best practice. In 2021, the Responsible Banking function was made part of the policy approval process to embed sustainability criteria in all policies.</p> <p>Our strong corporate culture, The Santander Way, is fully aligned to our corporate strategy. It includes our purpose, our aim, and how we conduct business. It is the bedrock of our bank, a responsible bank.</p>	<p>Corporate website: www.santander.com</p> <p>-About us</p> <p>-Our approach</p> <p>2021 Annual Report- Responsible Banking chapter</p> <p><a href="#">-What our stakeholders tell us</a></p> <p><a href="#">-Governance</a></p> <p><a href="#">-A strong and inclusive culture</a></p> <p>2021 Annual Report, Corporate Governance chapter</p> <p><a href="#">-Responsible Banking, sustainability and culture, Committee activities report</a></p>
5.2. Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.		
5.3 Governance Structure for Implementation of the Principles  Show that your bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.		
<b>Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</b>		
The Group has a solid and well-structured responsible banking governance model to meet future challenges and implement necessary measures that allow us to develop our activity in a responsible and sustainable way.		

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
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**Principle 6: Transparency & Accountability**

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

**6.1 Progress on Implementing the Principles for Responsible Banking**

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

The Responsible Banking chapter of our 2021 Annual report is our consolidated non-financial information statement. This is the eighteenth annual document the Santander Group publishes to disclose its sustainability commitments. This chapter includes information for the period: from 1 January to 31 December 2020.

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

Santander has relied on internationally recognized standards such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) in its preparation. And for the first time, also considering the WEF Stakeholder Capitalism Metrics. This chapter has been prepared in accordance with the GRI Standards: Comprehensive option.

Additionally, in this chapter detailed information is provided to respond to the Law 11/2018, which transposes to the Spanish legal system the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information.

We actively participate and we are part of the main initiatives and working groups that foster responsible business practices at local and international level. Some examples are:

- UNEP Finance initiative. We are one of the founding signatories to the UN Principles for Responsible Banking. We have also continued our participation in the TCFD Pilot II following the first pilot which started back in 2017.
- World Business Council for Sustainable Development (WBCSD). We are part of the Future of Work, which supports companies in adapting their own business and human resources strategy to evolve in line with the digital age.
- Banking Environment Initiative (BEI). We participate in two initiatives related to climate, the Soft Commodities Compact and the new Bank 2030 initiative.
- CEO Partnership for Financial Inclusion. We are part of the private sector partnership for financial inclusion.
- Equator Principles. We analyse the environmental and social risks of all our funding transactions that fall under the scope of the Equator Principles.

2021 Annual Report,  
[Responsible Banking chapter](#)

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking**

Through the responsible banking chapter of the Annual Report we give accounts of all our commitments related sustainability and responsible banking. We participate actively and we are part of the main initiatives and working groups that foster responsible business practices at local and international level.

# Global Reporting Initiative (GRI) content index

GRI 102-55

## GRI Standards: GENERAL DISCLOSURES

GRI Standard	Disclosure	Page	Omission
<b>GRI 101: FOUNDATION</b>			
<b>GRI 102: GENERAL DISCLOSURES</b>			
ORGANIZATIONAL PROFILE	102-1 Name of the organization	Business model and strategy (p. <a href="#">6</a> ).	-
	102-2 Activities, brands, products, and services	Business model and strategy (p. <a href="#">6</a> ).	-
	102-3 Location of headquarters	Business model and strategy (p. <a href="#">6</a> ).	-
	102-4 Location of operations	Business model and strategy (p. <a href="#">6</a> ).	-
	102-5 Ownership and legal form	Business model and strategy (p. <a href="#">6</a> ).	-
	102-6 Markets served	Business model and strategy (p. <a href="#">6</a> ).	-
	102-7 Scale of the organization	Business model and strategy (p. <a href="#">6</a> ). Key Metrics (p. <a href="#">117</a> ).	-
	102-8 Information on employees and other workers	Key metrics (p. <a href="#">117</a> ).	1
	102-9 Supply chain	Responsible procurement (p. <a href="#">68</a> ).	-
	102-10 Significant changes to the organization and its supply chain	Responsible procurement (p. <a href="#">68</a> ).	-
	102-11 Precautionary Principle or approach	Conduct and ethical behaviour (p. <a href="#">37</a> ). (Environmental and social risk management policy section)	-
	102-12 External initiatives	Governance (p. <a href="#">29</a> ) (Joint initiatives to promote our agenda section). Shareholder value (p. <a href="#">69</a> ) (ESG indices and analysts section).	-
	102-13 Membership of associations	Santander participates in industry associations representing financial activity in the countries where it operates, as the AEB in the case of Spain	-
STRATEGY	102-14 Statement from senior decision-maker	What our stakeholders tell us (p. <a href="#">24</a> ) (Governance section).	-
	102-15 Key impacts, risks, and opportunities	A strong and inclusive culture: The Santander Way (p. <a href="#">34</a> ) (Active listening section). What our stakeholders tell us (p. <a href="#">24</a> ). Supporting the green transition (p. <a href="#">72</a> ) (Risk management section). Risk management and compliance chapter (p. <a href="#">430</a> ).	-
ETHICS AND INTEGRITY	102-16 Values, principles, standards, and norms of behaviour	Governance (p. <a href="#">29</a> ). A strong and inclusive culture: The Santander Way (p. <a href="#">34</a> ). Acting responsibly towards customers. (p. <a href="#">61</a> ).	-
	102-17 Mechanisms for advice and concerns about ethics	A talented and motivated team (p. <a href="#">44</a> ) (section 1. Speaking up, active listening and taking action) Risk management and compliance (p. <a href="#">430</a> ).	-

GRI Standard	Disclosure	Page	Omission
GOVERNANCE	102-18 Governance structure	Corporate Governance chapter of the annual report (p. <a href="#">179</a> ).	-
	102-19 Delegating authority	Corporate Governance chapter of the annual report (p. <a href="#">179</a> ).	-
	102-20 Executive-level responsibility for economic, environmental, and social topics	Corporate Governance chapter of the annual report (p. <a href="#">179</a> ).	-
	102-21 Consulting stakeholders on economic, environmental, and social topics	Corporate Governance chapter of the annual report (p. <a href="#">179</a> ). Auditor's report and annual consolidated accounts (p. <a href="#">512</a> ). What our stakeholders tell us (p. <a href="#">24</a> ).	-
	102-22 Composition of the highest governance body and its committees	Corporate Governance chapter of the annual report (p. <a href="#">179</a> ).	-
	102-23 Chair of the highest governance body	Corporate Governance chapter of the annual report (p. <a href="#">179</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-24 Nominating and selecting the highest governance body	Corporate Governance chapter of the annual report (p. <a href="#">179</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-25 Conflicts of interest	What our stakeholders tell us (p. <a href="#">24</a> ). Corporate Governance chapter of the annual report (p. <a href="#">179</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-26 Role of highest governance body in setting purpose, values, and strategy	Shareholder value (p. <a href="#">69</a> ). Corporate Governance chapter of the annual report (p. <a href="#">179</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-27 Collective knowledge of highest governance body	Shareholder value (p. <a href="#">69</a> ). Corporate Governance chapter of the annual report (p. <a href="#">179</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-28 Evaluating the highest governance body's performance	Shareholder value (p. <a href="#">69</a> ). Corporate Governance chapter of the annual report (p. <a href="#">179</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-29 Identifying and managing economic, environmental, and social impacts	Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ). Risk management and compliance (p. <a href="#">430</a> ). Supporting the green transition (p. <a href="#">72</a> ) (Risk management section).	-
	102-30 Effectiveness of risk management processes	Supporting the green transition (p. <a href="#">71</a> ) (Risk management section). Risk management and compliance chapter (p. <a href="#">430</a> ).	-
	102-31 Omission of economic, environmental, and social topics	Governance (p. <a href="#">29</a> ). Risk management and compliance chapter (p. <a href="#">430</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-32 Highest governance body's role in sustainability reporting	Santander's Board approved this report on February, 24th 2022 related to the 2021 period, and the Corporate Governance Chapter of the Annual Report published in 2022.	-
	102-33 Communicating critical concerns	Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-34 Nature and total number of critical concerns	Governance (p. <a href="#">29</a> ). Acting responsibly towards customers (p. <a href="#">61</a> ) (Complaints management section).	-
	102-35 Remuneration policies	A talented and motivated team (p. <a href="#">44</a> ). (Diversity and inclusion section, equal pay subsection) Corporate Governance chapter of the Annual Report (p. <a href="#">179</a> ).	-
	102-36 Process for determining remuneration	What our stakeholders tell us (p. <a href="#">24</a> ). Shareholder's value (p. <a href="#">69</a> ). Corporate Governance Chapter of the Annual Report (p. <a href="#">179</a> ). Risk supervision, regulation and compliance committee activities in 2021 (p. <a href="#">234</a> ).	-
	102-37 Stakeholders' involvement in remuneration	What our stakeholders tell us (p. <a href="#">24</a> ). Shareholder's value (p. <a href="#">69</a> ). Corporate Governance Chapter of the Annual Report (p. <a href="#">179</a> ). Risk supervision, regulation and compliance committee activities in 2021 (p. <a href="#">234</a> ).	-
	102-38 Annual total compensation ratio	-	2
	102-39 Percentage increase in annual total compensation ratio	-	2



GRI Standard	Disclosure	Page	Omission
STAKEHOLDER ENGAGEMENT	102-40 List of stakeholder groups	What our stakeholders tell us (p. <a href="#">24</a> ).	-
	102-41 Collective bargaining agreements	What our stakeholders tell us (p. <a href="#">24</a> ).	-
	102-42 Identifying and selecting stakeholders	What our stakeholders tell us (p. <a href="#">24</a> ).	-
	102-43 Approach to stakeholder engagement	What our stakeholders tell us (p. <a href="#">24</a> ).	-
	102-44 Key topics and concerns raised	What our stakeholders tell us (p. <a href="#">24</a> ).	-
REPORTING PRACTICE	102-45 Entities included in the consolidated financial statements	Further information section of this chapter (p. <a href="#">131</a> ). Auditor's report and consolidated annual accounts (p. <a href="#">512</a> ).	-
	102-46 Defining report content and topic Boundaries	Our approach (p. <a href="#">23</a> ). Further information section of this chapter (p. <a href="#">131</a> ).	-
	102-47 List of material topics	What our stakeholders tell us (p. <a href="#">24</a> ).	-
	102-48 Restatements of information	About this chapter (p. <a href="#">16</a> ).	-
	102-49 Changes in reporting	About this chapter (p. <a href="#">16</a> ).	-
	102-50 Reporting period	About this chapter (p. <a href="#">16</a> ).	-
	102-51 Date of most recent report	About this chapter (p. <a href="#">16</a> ).	-
	102-52 Reporting cycle	About this chapter (p. <a href="#">16</a> ).	-
	102-53 Contact point for questions regarding the report	General information chapter (p. <a href="#">808</a> ).	-
	102-54 Claims of reporting in accordance with the GRI Standards	About this chapter (p. <a href="#">16</a> ).	-
	102-55 GRI content index	GRI Content Index. (p. <a href="#">144</a> ).	-
	102-56 External assurance	About this report (p. <a href="#">16</a> ). Independent verification report(p. <a href="#">175</a> ).	-

## GRI Standards: Topic-specific disclosures

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
<b>ECONOMIC STANDARDS</b>						
<b>ECONOMIC PERFORMANCE</b>						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). "Material aspect boundary" of GRI Content Index	-	-
			103-2 The management approach and its components	Governance (p. 29). "Page" of the GRI 201: Economic Performance"	-	-
			103-3 Evaluation of the management approach	Governance (p. 29). "Page" of the GRI 201: Economic Performance"	-	-
		GRI 201: ECONOMIC PERFORMANCE	<b>€ million</b>		<b>2021</b>	
			Economic value generated <sup>1</sup>		46,414	
			Gross income		46,404	
			Net loss on discontinued operations		0	
			Gains/(losses) on disposal of assets not classified as non-current held for sale		53	
			Gains/(losses) on disposal of assets not classified as discontinued operations		-43	
			Economic value distributed		24,541	
			Dividends		836	
			Other administrative expenses (except taxes)		7,443	
			Personnel expenses		11,216	
			Income tax and other taxes <sup>2</sup>		4,894	
			CSR investment		152	
			201-1 Direct economic value generated and distributed	Economic value retained (economic value generated less economic value distributed)	21,873	Group -
			1. Gross income plus net gains on asset disposals. 2. Only includes income tax on profits accrued and taxes recognised during the period. Tax contribution section (Conduct and ethical behaviours) provides additional information on the taxes paid.			
			201-2 Financial implications and other risks and opportunities due to climate change	Supporting the green transition (p. 72). 10. Climate and environmental risk section (p. 499) on Risk management and compliance chapter.	Group	-
			201-3 Defined benefit plan obligations and other retirement plans	The liability for provisions for pensions and similar obligations at 2021 year-end amounted to EUR 3,185 million. Endowments and contributions to the pension funds in the 2021 financial year have amounted to EUR 359 million. The detail may be consulted in Auditor's report and annual consolidated accounts.	Group	-
			201-4 Financial assistance received from government	The Bank has not received significant subsidies or public aids during 2020 and 2021. The detail may be consulted in Auditor's report and annual consolidated accounts.	Group	-

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
MARKET PRESENCE						
Attracting and retaining talent / Diversity / Community investment	Internal	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	A strong and inclusive culture: The Santander Way (p. 34). Column "Page" of the GRI 201: Economic Performance.	-	-
			103-3 Evaluation of the management approach	A strong and inclusive culture: The Santander Way (p. 34). Column "Page" of the GRI 201: Economic Performance.	-	-
		GRI 202: MARKET PRESENCE	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Key metrics (p. 117).	Group	-
			202-2 Proportion of senior management hired from the local community	Key metrics (p. 117). The Group Corporate Human Resources Model aims to attract and retain the best professionals in the countries in which it operates.	Group excluding USA	-
INDIRECT ECONOMIC IMPACT						
Community investment	External	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Financial inclusion and empowerment (p. 96). Support to higher education and other local initiatives (p. 107).	-	-
			103-3 Evaluation of the management approach	Financial inclusion and empowerment (p. 96). Support to higher education and other local initiatives (p. 107).	-	-
		GRI 203: INDIRECT ECONOMIC IMPACT	203-1 Infrastructure investments and services supported	Support to higher education and other local initiatives (p. 107).	Group	-
			203-2 Significant indirect economic impacts	Support to higher education and other local initiatives (p. 107).	Group	-
PROCUREMENT PRACTICES						
Ethical behaviour and risk management	External	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Responsible procurement (p. 68).	-	-
			103-3 Evaluation of the management approach	Responsible procurement (p. 68).	-	-
Ethical behaviour and risk management	External	GRI 204: PROCUREMENT PRACTICES	204-1 Proportion of spending on local suppliers	Responsible procurement (p. 68).	Group	3

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
ANTI-CORRUPTION						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes / Corporate governance-transparency	Internal and External	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34).	-	-
			103-3 Evaluation of the management approach	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34).	-	-
		GRI 205: ANTI-CORRUPTION	205-1 Operations assessed for risks related to corruption	Risk management and compliance chapter (p. 430).	Group	-
			205-2 Communication and training about anti-corruption policies and procedures	Conduct and ethical behaviour (p. 37) (Finance crime compliance section). Risk management and compliance chapter (p. 430).	Group	-
			205-3 Confirmed incidents of corruption and actions taken	Conduct and ethical behaviour (p. 37) (Ethical channel section). Risk management and compliance chapter (p. 430).	Group	4
ANTI-COMPETITIVE BEHAVIOR						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). Column "Page" of the GRI 206: Anti-competitive Behaviour.	-	-
			103-3 Evaluation of the management approach	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). Column "Page" of the GRI 206: Anti-competitive Behaviour.	-	-
		GRI 206: ANTI-COMPETITIVE BEHAVIOUR	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	The Italian Competition Authority ("ICA") has imposed Banca PSA Italia a fine of EUR 6,077,606 as part of an investigation against the Captive Banks for running an unlawful cartel from 2003 to April 2017, aimed at exchanging sensitive commercial information in the car financing market in Italy, in order to restrict competition for the sale of financed cars, in violation of Article 101 TFEU. Decision was appealed before the administrative court in 2019. On 21 October 2020, the administrative court of Lazio has annulled in its entirety the ICA's decision about the car financing cartel. As a result of this judgement, the decision is annulled in its entirety, and all charges against PSA and against SCF Italy are no longer valid. ICA has appealed before the Consiglio di Stato. It is expected that the appeal will be resolved by Q1 2022.	Group	5
				On 23 September 2020 the UOKiK (Office of Competition and Consumer Protection in Poland) published its decision in which a clause used by Santander Bank Poland in annexes to agreements on residential mortgage loans indexed to foreign currencies, was declared abusive. The clause relates to FX exchange rate (method of its determination). Fine: EUR 5,2 million. Santander Bank Poland has appealed the decision. Pending of the first hearing.		

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
Compliance and risk management / Ethical behaviour	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). Column "Page" of the GRI 207: Tax.	-	-
			103-3 Evaluation of the management approach	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). Column "Page" of the GRI 207: Tax.	-	-
		GRI 207: TAX	207-1 Approach to tax	Conduct and ethical behaviour (p. 37) (Principles of action in tax matters)	Group	-
			207-2 Tax governance, control, and risk management	Conduct and ethical behaviour (p. 37) (Principles of action in tax matters)	Group	-
			207-3 Stakeholder engagement and management of concerns related to tax	Conduct and ethical behaviour (p. 37) (Principles of action in tax matters)	Group	-
			207-4 Country-by-country reporting	Key metrics (p. 117) (country-by-country report)	-	-
ENVIRONMENTAL STANDARDS						
MATERIALS						
Internal environmental footprint	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Supporting the green transition (p. 72) (Environmental footprint).	-	-
			103-3 Evaluation of the management approach	Supporting the green transition (p. 72) (Environmental footprint).	-	-
Internal environmental footprint	Internal and external	GRI 301: MATERIALS	301-1 Materials used by weight or volume	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117).	Group	6
			301-2 Recycled input materials used	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117) (Environmental footprint).	Group	6
			301-3 Reclaimed products and their packaging materials	Not applicable due to the type of Group financial activity.	Group	-
ENERGY						
Internal environmental footprint	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Supporting the green transition (p. 72) (Environmental footprint).	-	-
			103-3 Evaluation of the management approach	Supporting the green transition (p. 72) (Environmental footprint).	-	-
		GRI 302: ENERGY	302-1 Energy consumption within the organization	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117).	Group	6
			302-2 Energy consumption outside of the organization	Key metrics (p. 117).	Group	6
			302-3 Energy intensity	Key metrics (p. 117).	Group	6
			302-4 Reduction of energy consumption	An specific analysis of cause and effect relation for the implemented measures and of the obtained reduction is not available.	Group	-
			302-5 Reductions in energy requirements of products and services	Not applicable due to the type of Group financial activity.	Group	-

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
WATER AND EFFLUENTS						
Internal environmental footprint	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Supporting the green transition (p. 72) (Environmental footprint).	-	-
			103-3 Evaluation of the management approach	Supporting the green transition (p. 72) (Environmental footprint).	-	-
		GRI 303: WATER AND EFFLUENTS	303-1 Interactions with water as a shared resource	Banco Santander manages its water consumption and supply following local limitations.	Group	-
			303-2 Management of water discharge-related impacts	Not applicable due to the type of Group financial activity.	Group	-
			303-3 Water withdrawal	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117)	Group	6
			303-4 Water discharge	Not applicable due to the type of Group financial activity.	Group	-
			303-5 Water consumption	Supporting the green transition (p. 72) (Environmental footprint).	Group	6
BIODIVERSITY						
Biodiversity	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Context Index.	-	-
			103-2 The management approach and its components	Conduct and ethical behaviour (p. 37) (Environmental and social risk management).	-	-
			103-3 Evaluation of the management approach	Conduct and ethical behaviour (p. 37) (Environmental and social risk management).	-	-
		GRI 304: BIODIVERISTY	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable due to the type of Group financial activity.	Group	-
			304-2 Significant impacts of activities, products, and services on biodiversity	Not applicable due to the type of Group financial activity.	Group	-
			304-3 Habitats protected or restored	Conduct and ethical behaviour (p. 37) (Environmental and social risk management)	Group	9
			304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable due to the type of Group financial activity.	Group	-

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
EMISSIONS						
Internal environmental footprint	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24) . Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Supporting the green transition (p. 72) (Environmental footprint).	-	-
			103-3 Evaluation of the management approach	Supporting the green transition (p. 72) (Environmental footprint).	-	-
Internal environmental footprint	Internal and external	GRI 305: EMISSIONS	305-1 Direct (Scope 1) GHG emissions	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117).	Group	6
			305-2 Energy indirect (Scope 2) GHG emissions	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117).	Group	6
			305-3 Other indirect (Scope 3) GHG emissions	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117).	Group	6
			305-4 GHG emissions intensity	Key metrics (p. 117).	Group	6
			305-5 Reduction of GHG emissions	An specific analysis of cause and effect relation for the implemented measures and of the obtained reduction is not available.	Group	-
			305-6 Emissions of ozone-depleting substances (ODS)	Not applicable due to the type of Group financial activity.	Group	-
			305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not applicable due to the type of Group financial activity.	Group	-
WASTE						
Internal environmental footprint	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Supporting the green transition (p. 72) (Environmental footprint).	-	-
			103-3 Evaluation of the management approach	Supporting the green transition (p. 72) (Environmental footprint).	-	-
		GRI 306: WASTE	306-1 Waste generation and significant waste-related impacts	Supporting the green transition (p. 72) (Environmental footprint).	Group	-
			306-2 Management of significant waste-related impacts	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117).	Group	-
			306-3 Waste generated	Supporting the green transition (p. 72) (Environmental footprint). Key metrics (p. 117). (Environmental footprint).	Group	-
			306-4 Waste diverted from disposal	Key metrics (p. 117) (Environmental footprint).	Group	6
			306-5 Waste directed to disposal	Key metrics (p. 117).	Group	6



Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
ENVIRONMENTAL COMPLIANCE						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	A strong and inclusive culture: The Santander Way (p. 34)	-	-
			103-3 Evaluation of the management approach	A strong and inclusive culture: The Santander Way (p. 34)	-	-
		GRI 307: ENVIRONMENTAL COMPLIANCE	307-1 Non-compliance with environmental laws and regulations	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditor's report and annual consolidated accounts.	Group	5
SUPPLIER ENVIRONMENTAL ASSESSMENT						
Ethical behaviour and risk management	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Responsible procurement (p. 68).	-	-
			103-3 Evaluation of the management approach	Responsible procurement (p. 68).	-	-
		GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT	308-1 New suppliers that were screened using environmental criteria	Responsible procurement (p. 68).	Group	3
			308-2 Negative environmental impacts in the supply chain and actions taken	Responsible procurement (p. 68).	Group	7
SOCIAL STANDARDS						
EMPLOYMENT						
Attracting and retaining talent / Diversity	Internal	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	A talented and motivated team (p. 44) (Talent attraction section).	-	-
			103-3 Evaluation of the management approach	A talented and motivated team (p. 44) (Talent attraction section).	-	-
		GRI 401: EMPLOYMENT	401-1 New employee hires and employee turnover	A talented and motivated team (p. 44) (Talent attraction section). Key metrics (p. 117).	Group	-
			401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits detailed in "A talented and motivated team"(p. 44), section "Corporate benefits" are regarding only full-time employees.	Group	-
			401-3 Parental leave	Information breakdown is not available, work is under way to present this information.	Group	-

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
LABOUR/MANAGEMENT RELATIONS						
Attracting and retaining talent / Internal Diversity		GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Column "Page" of the GRI 402: Labour/ Management relations"	-	-
			103-3 Evaluation of the management approach	Column "Page" of the GRI 402: Labour/ Management relations"	-	-
		GRI 402: LABOR/ MANAGEMENT RELATIONS	402-1 Minimum notice periods regarding operational changes	Santander Group has not established any minimum period to give prior notice relating to organizational changes different from those required by law in each country.	Group	-
OCCUPATIONAL HEALTH AND SAFETY						
Attracting and retaining talent / Internal Diversity		GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	A talented and motivated team (p. 44). Column "Page" of the GRI 403: Occupational Safe and Safety.	-	-
			103-3 Evaluation of the management approach	A talented and motivated team (p. 44). Column "Page" of the GRI 403: Occupational Safe and Safety.	-	-
Attracting and retaining talent / Internal Diversity		GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-1 Occupational health and safety management system	Banco Santander has occupational health and safety management systems in place in all the geographies in which it operates, complying with the legal requirements of each country regarding occupational risk prevention.	Group	-
			403-2 Hazard identification, risk assessment, and incident investigation	A talented and motivated team (p. 44) (Employee wellbeing section).	Group	-
			403-3 Occupational health services	A talented and motivated team (p. 44) (Employee wellbeing section).	Group	-
			403-4 Worker participation, consultation, and communication on occupational health and safety	At Banco Santander SA, the percentage of Representation in the Security Committee is 100%.	Banco Santander S.A. and SCF	-
			403-5 Worker training on occupational health and safety	A talented and motivated team (p. 44) (Employee wellbeing section).	Group	-
			403-6 Promotion of worker health	A talented and motivated team (p. 44) (Employee wellbeing section).	Group	-
			403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not applicable due to the type of Group financial activity.	Group	
			403-8 Workers covered by an occupational health and safety management system	100% of Banco Santander employees are covered by health and safety management systems at work.	Group	1
			403-9 Work-related injuries	A talented and motivated team (p. 44) (Employee wellbeing section). Key metrics (p. 117).	Group	1
			403-10 Work-related ill health	Key metrics(p. 117).	Group	1

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
TRAINING AND EDUCATION						
Attracting and retaining talent / Internal Diversity	Internal	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	A talented and motivated team (p. 44). "Page" of the GRI 404: Training and education.	-	-
			103-3 Evaluation of the management approach	A talented and motivated team (p. 44). "Page" of the GRI 404: Training and education.	-	-
		GRI 404: TRAINING AND EDUCATION	404-1 Average hours of training per year per employee	A talented and motivated team (p. 44) (Talent attraction section). Key metrics (p. 117).	Group	-
			404-2 Programs for upgrading employee skills and transition assistance programs	Banco Santander offers management programmes and continuous training skills that foster the employees' employability and that, sometimes, help them manage the end of their professional careers. A talented and engaged team (p. 44) (Learning and development section).	Group	-
			404-3 Percentage of employees receiving regular performance and career development omissions.	A talented and motivated team (p. 44) (Performance review and remuneration section). Regular performance and career development are received by the 100% of the employees.	Group	-
DIVERSITY AND EQUAL OPPORTUNITY						
Attracting and retaining talent / Diversity / Incentives tied to ESG criteria	Internal	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	A talented and motivated team (p. 44) (Diversity and Inclusion section).	-	-
			103-3 Evaluation of the management approach	A talented and motivated team (p. 44) (Diversity and Inclusion section).	-	-
Attracting and retaining talent / Diversity / Incentives tied to ESG criteria	Internal	GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES	405-1 Diversity of governance bodies and employees	A talented and motivated team (p. 44) (Diversity and Inclusion section). Key metrics (p. 117). Corporate governance chapter of the Annual Report (p. 179).	Group	-
			405-2 Ratio of basic salary and remuneration of women to men	A talented and motivated team (p. 44) (Diversity and Inclusion section). Key metrics (p. 117).	Group	-
NON-DISCRIMINATION						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	A talented and motivated team (p. 44) (Diversity and Inclusion section).	-	-
			103-3 Evaluation of the management approach	A talented and motivated team (p. 44) (Diversity and Inclusion section).	-	-
		GRI 406: NON-DISCRIMINATION	406-1 Incidents of discrimination and corrective actions taken	A talented and motivated team (p. 44) (Active listening section). Risk management and compliance chapter (p. 430).	Group	-

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
Not material	Not applicable	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	Not material	-	-
			103-2 The management approach and its components	Not material	-	-
			103-3 Evaluation of the management approach	Not material	-	-
		GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not material	Group	-
CHILD LABOR						
Not material	Not applicable	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	Not material	-	-
			103-2 The management approach and its components	Not material	-	-
			103-3 Evaluation of the management approach	Not material	-	-
		GRI 408: CHILD LABOR	408-1 Operations and suppliers at significant risk for incidents of child labor	Not material	Group	-
FORCED OR COMPULSORY LABOR						
Not material	Not applicable	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	Not material	-	-
			103-2 The management approach and its components	Not material	-	-
			103-3 Evaluation of the management approach	Not material	-	-
		GRI 409: FORCED OR COMPULSORY LABOR	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Conduct and ethical behaviour (p. 117) (Environmental and social risk management)	Group	-
SECURITY PRACTICES						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Column "Page" of the GRI 410: Security Practices.	-	-
			103-3 Evaluation of the management approach	Column "Page" of the GRI 410: Security Practices.	-	-
		GRI 410: SECUTIRY PRACTICES	410-1 Security personnel trained in human rights policies or procedures	Santander requires to its Safety Services suppliers during the hiring process compliance with Human Rights Regulations	Banco Santander S.A.	-

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
RIGHTS OF INDIGENOUS PEOPLES						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	External	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Column "Page" of the GRI 411: Rights of Indigenous People	-	-
			103-3 Evaluation of the management approach	Column "Page" of the GRI 411: Rights of Indigenous People.	-	-
		GRI 411: RIGHTS OF INIDGENOUS PEOPLE	411-1 Incidents of violations involving rights of indigenous people	The Bank ensures, through social and environmental risk assessments in their financing operations under the Equator Principles, that no violations of the indigenous peoples' rights occur in such operations. In 2020, a total of 68 operations were evaluated in this respect.	Group	8
HUMAN RIGHTS ASSESSMENT						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	External	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Column "Page" of the GRI 412: Human Rights assessment	-	-
			103-3 Evaluation of the management approach	Column "Page" of the GRI 412: Human Rights assessment	-	-
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	External	GRI 412: HUMAN RIGHTS ASSESSMENT	412-1 Operations that have been subject to human rights Omissions or impact assessments	All the Bank's financing operations under the Equator Principles are subject to social and environmental risk assessments (which includes human rights aspects). In 2020, a total of 68 operations were evaluated in this respect.	Group	8
			412-2 Employee training on human rights policies or procedures	Conduct and ethical behaviours (p. 37) (Human rights protection).	Group	9
			412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	All of Banco Santander's significant investment agreements and contracts made within the framework of the Equator Principles are subject to a social and environmental risk assessment (including HR aspects).	Group	8

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
LOCAL COMMUNITIES						
Community investment	External	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	Group	-
			103-2 The management approach and its components	Financial inclusion and empowerment (p. 96). Support to higher education and other local initiatives (p. 107) (Community investment section). Supporting the green transition (p. 72).	Group	-
			103-3 Evaluation of the management approach	Financial inclusion and empowerment (p. 96). Support to higher education and other local initiatives (p. 107) (Community investment section). Supporting the green transition (p. 72).	Group	-
		GRI 413: LOCAL COMMUNITIES	413-1 Operations with local community engagement, impact assessments, and development programs	Financial inclusion and empowerment (p. 96) (Finance section), Support to higher education and other local initiatives (p. 107). 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.	Group	-
			413-2 Operations with significant actual and potential negative impacts on local communities	Conduct and ethical behaviour (p. 37) (Environmental and social risk analysis section).	Group	-
SUPPLIER SOCIAL ASSESSMENT						
Control and management of risks, ethics and compliance	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Responsible procurement (p. 68).	-	-
			103-3 Evaluation of the management approach	Responsible procurement (p. 68).	-	-
		GRI 414: SUPPLIER SOCIAL ASSESSMENT	414-1 New suppliers that were screened using social criteria	Responsible procurement (p. 68).	Group	3
			414-2 Negative social impacts in the supply chain and actions taken	Responsible procurement (p. 68).	Group	7
PUBLIC POLICY						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). A talented and motivated team (p. 44). Governance (p. 29). "Page" of the GRI 415: Public Policy.	-	-
			103-3 Evaluation of the management approach	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). A talented and motivated team (p. 44). Governance (p. 29). "Page" of the GRI 415: Public Policy.	-	-
		GRI 415: PUBLIC POLICY	415-1 Political contributions	The ties, 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	Group	-

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
CUSTOMER HEALTH SAFETY						
Products and services that are transparent and fair		GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Acting responsibly towards our customers (p. 61)(Product governance and consumer protection section).	-	-
			103-3 Evaluation of the management approach	Acting responsibly towards our customers (p. 61)(Product governance and consumer protection section).	-	-
	GRI 416: CUSTOMER HEALTH AND SAFETY	416-1 Assessment of the health and safety impacts of product and service categories	Responsible business practices. The Commercialization 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.	Group	-	
		416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditor's report and annual consolidated accounts.	Group	5	
MARKETING AND LABELING						
Products and services that are transparent and fair	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Acting responsibly towards our customers (p. 61)(Product governance and consumer protection section).	-	-
			103-3 Evaluation of the management approach	Acting responsibly towards our customers (p. 61)(Product governance and consumer protection section).	-	-
Products and services that are transparent and fair	Internal and external	GRI 417: MARKETING AND LABELING	417-1 Requirements for product and service information and labeling	Responsible business practices. The Commercialization 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. In addition, the Bank is member of the Association for Commercial Self- Regulation (Autocontrol) assuming the ethical commitment to be responsible regarding the freedom of commercial communication	Group	-
			417-2 Incidents of non-compliance concerning product and service information and labeling	Sanction resolution (€300.000) notified by the Spanish National Securities Market Commission, notified on 22 December 2020, for violation of the provisions foreseen in article 214 of the Spanish Securities Market Act, in relation to the information collected from retail clients for the suitability assessment. An appeal has been filed before the Administrative Contentious Court.	Group	5
			Sanctioning resolution from Junta de Andalucía notified on June 23 2021 (€1,03 million), in relation to the inclusion of abusive clauses in contracts.			
			On December 30, 2021 the President UOKIK (Office of Competition and Consumer Protection in Poland) issued a decision against Santander Consumer Bank Poland (SCB Poland) in the proceedings regarding individual offers and insurance, which states that SCB Poland uses practices that violate collective consumer interests. The decision imposes fines that amount to €9.8 million. SCB Poland will appeal UOKIK'S decision.			
			417-3 Incidents of non-compliance concerning marketing communications	The Bank hasn't received any sanctions concerning this matter. Additional information about Group's litigation and other risks can be found at the Auditor's report and 2021 consolidated annual accounts.	Group	5

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
<b>CUSTOMER PRIVACY</b>						
Measures taken for customer satisfaction	Internal and External	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	Acting responsibly towards our customers (p. 61).	-	-
			103-3 Evaluation of the management approach	Acting responsibly towards our customers (p. 61).	-	-
		GRI 418: CUSTOMER PRIVACY	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditor's report and annual consolidated accounts.	Group	5



Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page	Scope	Omission
<b>SOCIOECONOMIC COMPLIANCE</b>						
Products and services that are transparent and fair / Ethical behaviour and risk management	Internal and external	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	What our stakeholders tell us (p. 24). Column "Material aspect boundary" of GRI Content Index.	-	-
			103-2 The management approach and its components	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). A talented and motivated team (p. 44). Acting responsibly towards customers (p. 61). Column "Page" of the GRI 419: Socioeconomic Compliance.	-	-
			103-3 Evaluation of the management approach	2021 overview (p. 18). A strong and inclusive culture: The Santander Way (p. 34). A talented and motivated team (p. 44). Acting responsibly towards customers (p. 61). Column "Page" of the GRI 419: Socioeconomic Compliance.	-	-
		GRI 419: SOCIOECONOMIC COMPLIANCE	419-1 Non-compliance with laws and regulations in the social and economic area	On 16 July 2021, the Territorial Delegation for Health and Families in Córdoba rendered a resolution against Openbank for the inclusion of allegedly abusive terms in mortgage loan contracts during the period 2017-2019. The Territorial Delegation alleges that the inclusion of these abusive terms may result in a serious infringement of the Defense and Protection of Consumers and Users Act 13/2003 of Andalucía. Fine: €235.000. Openbank filed an administrative appeal. The proceeding is pending to final resolution.	Group	5
				<p>In 2018, the Massachusetts Supreme Court ruled that Notices of Intention to repossess or auction of a repossessed vehicles (NOIs) must expressly describe that any outstanding balance would be reduced by the "fair market value" of the vehicle; Santander Consumer USA (SC) revised its MA NOIs in September 2019.</p> <p>On February 2021, SC reached an agreement to resolve a putative class action filed in June 2019 alleging SC's MA NOIs failed to expressly reference "fair market value" for \$5.6 million, which was approved by the Court on 16 December. The Yunker class action settlement is limited to MA borrowers who did not have arbitration provisions in their contracts.</p> <p>On 4 June 2021, the Massachusetts Attorney General issued a Civil Investigative Demand (CID) to SC seeking all NOIs provided to Massachusetts residents from 30 March 2017 to the present. The parties reached an agreement in principle to resolve the matter for \$5.6 million. SC expects to reach a definitive agreement, including the issuance of an Assurance of Discontinuance in the first quarter of 2022.</p> <p>Sanctioning procedure received from Junta de Andalucía, alleging the establishment of abusive clauses in the contracts. SCF received the resolution on 21st of April 2021 imposing a fine of 235.000 million euros. Resolution has been appealed, and decision is pending.</p> <p>In addition, information on litigation and other Group contingencies can be found in Auditor's report and annual consolidated accounts.</p>		

## GRI Standards - Financial services sector disclosures

Identified material aspect	Material aspect boundary	G4 Standard	Disclosure	Page	Scope	Omission
<b>FINANCIAL SERVICES SECTOR DISCLOSURES</b>						
<b>PRODUCT PORTFOLIO</b>						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes / Products and services that are transparent and fair / Products and services offering social and environmental added value	Internal and external	FS1	Policies with specific environmental and social components applied to business lines	Governance (p. 29), Supporting the green transition (p. 72) (Corporate governance section). Conduct and ethical behaviour (p. 37) (Environmental and social risks analysis section)	Group	-
		FS2	Procedures for assessing and screening environmental and social risks in business lines	Governance (p. 29), Supporting the green transition (p. 72) (Corporate governance section). Conduct and ethical behaviour (p. 37) (Environmental and social risks analysis section)	Group	-
		FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements of transactions	Governance (p. 29), Supporting the green transition (p. 72). Conduct and ethical behaviour (p. 37) (Environmental and social risks analysis section)	Group	-
		FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Supporting the green transition (p. 72) (Management and staff training section).	Group	-
		FS5	Interactions with clients/ investees/ business partners regarding environmental and social risks and opportunities	A strong and inclusive culture: The Santander Way (p. 34) (Cultural transformation: an ongoing journey). 2021 overview (p. 18). Governance (p. 29) (Joint initiatives to promote our agenda section). Shareholder value (p. 69). Risk management and compliance chapter (p. 430).	Group	-
		FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/ large) and by sector	Acting responsibly towards customers (p. 61). Governance (p. 29) (Helping society tackle global challenges: 2030 agenda section). Key metrics (p. 117)	Group	-
		FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Financial inclusion and empowerment (p. 96) (Access and Promoting financial education sections). Sustainable Investment (p. 104).	Group	-
		FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Supporting the green transition (p. 72). Sustainable Investment (p. 104).	Group	-

Identified material aspect	Material aspect boundary	G4 Standard	Disclosure	Page	Scope	Omission
<b>AUDIT</b>						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Every two years, the Group's Internal audit function reviews the corporate Responsible banking function's governance, materiality analyses, control, procedures and risk culture. If it spots areas for improvement, it will give recommendations to mitigate any operational risks from the Responsible banking function's procedures. The last audit in 2021 ended with an overall rating of "acceptable".	Group	-
<b>ACTIVE OWNERSHIP</b>						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes / Products and services that are transparent and fair / Products and services offering social and environmental added value	Internal	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Conduct and ethical behaviour (p. 37) (Environmental and social risks analysis section)	Group	8
		FS11	Percentage of assets subject to positive and negative environmental or social screening	Conduct and ethical behaviour (p. 37) (Environmental and social risks analysis section)	Group	8
		FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization hold 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 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	Financial inclusion and empowerment (p. 96).	Group	-
		FS14	Initiatives to improve access to financial services for disadvantaged people	Financial inclusion and empowerment (p. 96) (Access section). A talented and motivated team (p. 44) (People with disabilities section). Acting responsibly towards customers (p. 61) (Vulnerable customers section).	Group	-
		FS15	Policies for the fair design and sale of financial products and services	Acting responsibly towards customers (p. 61) (Product and services design section)..	Group	-
		FS16	Initiatives to enhance financial literacy by type of beneficiary	Financial inclusion and empowerment (p. 96) (Promoting financial education section).	Group	-

1. Only information regarding owned employees is disclosed. 2. The indicator is not reported because it is confidential information. 3. Data refers exclusively to centralised purchases data in Aquanima. 4. Information is provided on the total number of complaints related to gifts and invitations/corruption and bribery. 5. Information is provided for claims of any type and over €60,000 that may have a significant reputational impact on the Group and/or that there is an accounting provision because it may materialize in the short, medium or long term. 6. The scope and limitations of this indicator are described on Key Metrics. 7. Only top-200 risk suppliers are reported. 8. 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. 9. Only qualitative information is disclosed. 10. Information is provided on programmes and their direct impacts of the ten main countries of the Group, instead on centres.

# Sustainability Accounting Standards Board (SASB) content index

This is the second year in which Santander has decided to report in accordance with the Sustainability Accounting Standards Board (SASB), following its Industry Standards Version 2018-10 issue.

The relevant standards disclosed in this section have been selected according to a materiality-driven analysis, focusing on the industries that are most closely aligned with our businesses within the "Financials sector": Asset Management & Custody Activities (FN-AC), Commercial Banks (FN-CB), Consumer Finance (FN-CF), Investment Banking & Brokerage (FN-IB).

Acknowledging that SASB has a US-based approach, we have done our best efforts for translating it to our European standards.

Currently, we do not disclose all metrics included in the aforementioned industry standards, but we will continue to evaluate additional metrics in the future, enhancing our reporting under SASB framework for meeting the needs of our growing base of stakeholders and investors.

Unless otherwise is noted, all data and descriptions are reported for the Santander Group, if applicable, on a consolidated basis, and not just the segments relevant to the particular industry. The information will refer to the 2021 fiscal year, unless otherwise is specified.

## Sustainability Accounting Metrics

Topic	Industry	Accounting Metric	Code	Response
Data Security	Commercial Banks	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected.	FN-CB-230a.1 FN-CF-230a.1	Refer to 'Litigation and other matters' in the <a href="#">note 25</a> of the Consolidated accounts in the Auditor's report and consolidated financial statements (p. <a href="#">512</a> ).
	Consumer Finance			
	Commercial Banks	Description of approach to identifying and addressing data security risks.	FN-CB-230a.2 FN-CF-230a.3	Refer to 'Risk Pro' in section ' <a href="#">A strong and inclusive culture</a> ' of this chapter (p. <a href="#">34</a> ); and to 'Relevant mitigation actions' in section <a href="#">6.2</a> of 'Risk management and compliance chapter' (p. <a href="#">430</a> ).
	Consumer Finance			
Financial Inclusion & Capacity Building	Commercial Banks	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development.	FN-CB-240a.1	Refer to ' <a href="#">Acting responsibly towards customers</a> ' section of this chapter (p. <a href="#">61</a> ). For more detail see note 10. 'Loans and advances to customers' in the Auditor's report and consolidated financial statements (p. <a href="#">512</a> ). Additionally, all the information related to microfinance programmes are available on the ' <a href="#">Financial inclusion and empowerment</a> ' section of this report (p. <a href="#">96</a> ).
	Commercial Banks	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development.	FN-CB-240a.2	Refer to 'Amounts past due' and 'Impairment of financial assets' in <a href="#">3.3 'Key metrics</a> ' section of the Risk management and compliance chapter. (p. <a href="#">430</a> ). Also refer to notes 2.g and 10.d of the consolidated accounts in the Auditor's report and consolidated financial statements (p. <a href="#">512</a> ).
	Commercial Banks	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers.	FN-CB-240a.3	Refer to ' <a href="#">Financial inclusion and empowerment</a> ' section of this chapter (p. <a href="#">96</a> ).
	Commercial Banks	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers.	FN-CB-240a.4	In 2021, Grupo Santander has financially empowered 3.1 million people. For further information refer to ' <a href="#">Financial inclusion and empowerment</a> ' section of this chapter (p. <a href="#">96</a> ).
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial Banks	Commercial and industrial credit exposure, by industry.	FN-CB-410a.1	Refer to 'Concentration risk' in section <a href="#">3.5 'Other credit risk details</a> ' of the Risk Management and compliance chapter (p. <a href="#">430</a> ).
	Commercial Banks	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.	FN-CB-410a.2	Refer to the 'Environmental and social risk analysis' section on Conduct and ethical behaviour (p. <a href="#">37</a> ), and the ' <a href="#">Climate and environmental risk</a> ' (p. <a href="#">499</a> ).section of the Risk management and compliance chapter. For further information see our 'General Sustainability Policy' and our 'Environmental, social & climate change risk management Policy', both available on our corporate website.

Topic	Industry	Accounting Metric	Code	Response
<b>Incorporation of Environmental, Social, and Governance Factors in investment Banking &amp; Brokerage Activities</b>	Investment Banking & Brokerage	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry.	FN-IB-410a.2	Refer to ' <a href="#">Supporting the green transition</a> ' section of this chapter (p. 72).
	Investment Banking & Brokerage	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities.	FN-IB-410a.3	Refer to ' <a href="#">Supporting the green transition</a> ' section of this chapter (p. 72). For further information see our 'General Sustainability Policy', and our 'Environmental, social & climate change risk management policy', both available on our corporate website.
<b>Business Ethics</b>	Asset Management & Custody Activities Commercial Banks Investment Banking & Brokerage	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.	FN-AC-510a.1 FN-CB-510a.1 FN-IB-510a.1	Refer to GRI 206-1 discloses legal actions for anticompetitive behaviour, anti-trust, and monopoly practices. For further information, refer to 'Litigation and other matters' section on the Auditor's report and consolidated financial statements (p. 512).
	Asset Management & Custody Activities Commercial Banks Investment Banking & Brokerage	Description of whistleblower policies and procedures.	FN-AC-510a.2 FN-CB-510a.2 FN-IB-510a.2	Refer to 'Ethical Channels' in the section ' <a href="#">A talented and motivated team</a> ' of this chapter (p. 44). For further information, see our 'General Code of Conduct', available on our website.
<b>Systemic Risk Management</b>	Commercial Banks Investment Banking & Brokerage	Global Systemically Important Bank (G-SIB) score, by category	FN-CB-550a.1. FN-IB-550a.1.	According to the '2021 list of global systemically important banks (G-SIBs)' released by the Financial Stability Board, Santander's G-SIB buffer is 1.0 %. (G-SIBs as of November 2021) According to the G-SIB Scores Dashboard from the Basel Committee on Banking Supervision (BCBS), Santander Group's scores are (end-2020 data): • Score: 192 • Complexity: 106 • Cross-jurisdictional: 469 • Interconnectedness: 149 • Size: 183 • Substitutability: 56
	Commercial Banks Investment Banking & Brokerage	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2. FN-IB-550a.2.	Refer to 'Capital planning and stress tests' in the section <a href="#">3.5 'Capital management and adequacy'</a> (p. 353) of the Economic and Financial chapter.
	Commercial Banks, Investment Banking & Brokerage	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	FN-AC-330a.1 FN-IB-330a.1	Refer to ' <a href="#">Key metrics</a> ' section of this chapter (p. 117). For further information, refer to 'Diversity & Inclusion' section of ' <a href="#">A talented and motivated team</a> ' this chapter (p. 44). For further information about our diversity and inclusion principles, see our 'Corporate Culture Policy', available on our corporate website.
<b>Activity metrics</b>	Commercial Banks	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business.	FN-CB-000.A	Refer to 'Consolidated annual accounts' in Auditor's report and consolidated financial statements (p. 512).
	Commercial Banks	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate.	FN-CB-000.B	Refer to 'Consolidated annual accounts' in Auditor's report and consolidated financial statements (p. 512).

# Stakeholder Capitalism Metrics content index

## Stakeholder Capitalism Metrics

Theme	Metric	Response
<b>Principles of governance</b>		
<b>Governing Purpose</b>	<b>Setting Purpose:</b> The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental, and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	Our <a href="#">Business model and strategy</a> (p. 6) chapter reflects how we help people and businesses prosper whilst adopting ESG practices, and how we integrated ESG criteria on our 3 key priorities for profitable growth.
	<b>Purpose-led management:</b> How the company's stated purpose is embedded in company strategies, policies, and goals.	Additionally, in <a href="#">Our approach</a> (p. 23) section on the Responsible Banking chapter, we detail in deep how we work to be a more sustainable bank.
<b>Quality of Governing Body</b>	<b>Governing Body Composition:</b> Composition of the highest governance body and its committees by: competencies relating to economic, environmental, and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	Refer to the Board of directors section on our <a href="#">Corporate Governance</a> chapter (p. 179).
	<b>Progress against strategic milestones:</b> Disclosure of the material strategic economic, environmental, and social milestones expected to be achieved in the following year, such milestones achieved from the previous year, and how those milestones are expected to or have contributed to long-term value.	Refer to ' <a href="#">2021 Overview</a> ' (p. 18) and <a href="#">Our ESG priorities</a> (p. 27) sections on our Responsible Banking chapter
	<b>Remuneration:</b> 1. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental and social topics, as connected to the company's stated purpose, strategy, and long-term value. 2. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares, Sign-on bonuses or recruitment incentive payments, termination payments, clawback and retirement benefits.	1. Refer to 'Performance review and remuneration' in <a href="#">A talented and engaged team</a> section on Responsible chapter 2. Refer to ' <a href="#">Remuneration</a> ' section (p. 249) in Corporate Governance chapter.

Theme	Metric	Response
Ethical Behavior	<b>Anti-corruption:</b> 1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. 2. (a) Total number and nature of incidents of corruption confirmed during the current year but related to previous years and (b) Total number and nature of incidents of corruption confirmed during the current year, related to this year. 3. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	1. Refer to Financial Crime Compliance on <a href="#">7.2 Compliance and conduct risk management</a> section (p. <a href="#">489</a> ) in the Risk management and compliance chapter All our employees receive mandatory training on the GCC on an annual basis. 2. Refer to 'Litigation and other matters' in the <a href="#">note 25.e</a> (p. <a href="#">647</a> ) of the consolidated accounts 3. Refer to Financial Crime Compliance on <a href="#">7.2 Compliance and conduct risk management</a> section (p. <a href="#">489</a> ) in the Risk management and compliance chapter
	<b>Protected ethics advice and reporting mechanisms:</b> A description of internal and external mechanisms for: 1. Seeking advice about ethical and lawful behaviour and organizational integrity 2. Reporting concerns about unethical or unlawful behaviour and organizational integrity	Refer to pages 13-14 in our Code of Conduct (available in our corporate website) In addition see ' <a href="#">7.2 Compliance and conduct risk management</a> ' (p. <a href="#">489</a> ) in the Risk and compliance management section of our Risk management and compliance chapter. And 'Ethical channels' on ' <a href="#">Conduct and ethical behaviour</a> ' section (p. <a href="#">37</a> ) of our Responsible Banking chapter
	<b>Monetary losses from unethical behaviour:</b> Total amount of monetary losses as a result of legal proceedings associated with: fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or violations of other related industry laws or regulations.	Refer to 'Litigation and other matters' in the <a href="#">note 25.e</a> (p. <a href="#">647</a> ) of the consolidated accounts
	<b>Alignment of strategy and policies to lobbying:</b> The significant issues that are the focus of the company's participation in public policy development and lobbying; the company's strategy relevant to these areas of focus; and any differences between its lobbying positions, purpose, and any stated policies, goals, or other public positions.	Refer to 'Principles of action in our relationship with political parties' in the Conduct and ethical behaviour section on Responsible banking chapter (p. <a href="#">37</a> ) Our Financing of political parties policy is available on our corporate website
Risk and Opportunity Oversight	<b>Integrating risk and opportunity into business process:</b> Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental, and social issues, including climate change and data stewardship.	Refer to Risk management and Compliance chapter (p. <a href="#">430</a> ). In addition, we report our progress in implementing TCFD recommendations (including Risk management) on Responsible Banking chapter (p. <a href="#">72</a> ) Our Environmental, social and climate change risk policy is available at our corporate website.
Stakeholder Engagement	<b>Material issues impacting stakeholders:</b> A list of the topics that are material to key stakeholders and the company, how the topics were identified, and how the stakeholders were engaged.	Refer to What our stakeholder tell us section on Responsible Banking chapter (p. <a href="#">24</a> ). Refer also to Our ESG priorities (p. <a href="#">27</a> ).



Theme	Metric	Response
<b>Planet</b>		
<b>Climate Change</b>	<b>Greenhouse Gas (GHG) emissions:</b> For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Refer to 'Table 28. Environmental footprint 2020-2021' in the Key metrics section of the Responsible Banking chapter (p. 117). <ul style="list-style-type: none"> <li>• Total emissions (market based): 118,517 T CO<sub>2</sub> teq</li> <li>• Scope 1: 25,672 CO<sub>2</sub> teq</li> <li>• Scope 2 – market based: 57,425 T CO<sub>2</sub></li> <li>• Scope 2 – location based: 269,615 T CO<sub>2</sub> teq</li> <li>• Scope 3: 35,420 T CO<sub>2</sub> teq</li> </ul>
	<b>TCFD implementation:</b> Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set GHG emissions targets that are in line with the goals of the Paris Agreement — to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C — and to achieve net-zero emissions before 2050.	Refer to Supporting the green transition section of the Responsible Banking chapter (p. 72), where we report our progress in implementing TCFD recommendations.  In 2020, we became carbon neutral on our own operations. In 2021, we set our commitment to be net-zero in carbon emissions by 2050, and we set our first decarbonization targets.  in addition, refer to Climate and environmental risk section (p. 499) of the Risk management and compliance chapter.
	<b>Paris-aligned GHG emissions targets:</b> Define and report progress against time-bound science-based GHG emissions targets that are in line with the goals of the Paris Agreement — to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. This should include defining a date before 2050 by which you will achieve net-zero greenhouse gas emissions and interim reduction targets based on the methodologies provided by the Science Based Targets initiative if applicable.	Refer to Supporting the green transition section (p. 72). of the Responsible Banking chapter.  We set our first decarbonization targets. We're committed to aligning our power generation portfolio with the Paris Agreement by 2030. We are also ending financial services to power generation clients by 2030 if over 10% of their revenue depends on thermal coal.
<b>Fresh water availability</b>	<b>Water consumption and withdrawal in water-stressed areas:</b> Report for operations where material, mega litres of water withdrawn, mega litres of water consumed and the percentage of each in regions with high or extremely high baseline water stress according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	Refer to Key metrics section on Responsible Banking chapter (p. 117).  In 2021, Santander consumed 1,808,668 m <sup>3</sup> from the public network, equaling a consumption of 9.76 m <sup>3</sup> /employee. (Information is provided exclusively on water withdrawal from the public network).  We do not disclose data on water stress, due to our financial activities generating negligible impacts.
<b>Nature Loss</b>	<b>Land use and ecological sensitivity:</b> Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	Not identified as a material aspect for the bank and its activity.
<b>Single-use plastics</b>	Report wherever material along the value chain: estimated metric tonnes of single-use plastic consumed.  Disclose the most significant applications of single-use plastic identified, the quantification approach used and the definition of single-use plastic adopted.	Refer to 2021 Overview section (p. 18) on Responsible Banking chapter.  In 2021 we have met our goal of eliminating unnecessary single-use plastics from our buildings and branches.



Theme	Metric	Response
<b>Prosperity</b>		
<b>Employment and wealth generation</b>	<b>Absolute number and rate of employment:</b> <ol style="list-style-type: none"> <li>Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.</li> <li>Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.</li> </ol>	Refer to Key metrics section on the Responsible Banking chapter (p. <a href="#">117</a> ). <ol style="list-style-type: none"> <li>See: <ul style="list-style-type: none"> <li>Table 11.2. Distribution of new hires by age bracket 2021</li> <li>Table 11.3. Distribution of new hires by gender</li> </ul> </li> <li>See: <ul style="list-style-type: none"> <li>Table 13. External turnover rate by gender</li> <li>Table 14.2. External turnover rate by age bracket 2021</li> </ul> </li> </ol>
	<b>Economic Contribution:</b> <ol style="list-style-type: none"> <li>Direct economic value generated and distributed (EVG&amp;D) — on an accrual basis, covering the basic components for the organization's global operations, ideally split out by: <ol style="list-style-type: none"> <li>Revenue</li> <li>Operating Costs</li> <li>Employee wages and benefits</li> <li>Payments to providers of capital</li> <li>Payments to government</li> <li>Community Investment.</li> </ol> </li> <li>Financial assistance received from the government. Total monetary value of financial assistance received by the organization from any government during the reporting period.</li> </ol>	<ol style="list-style-type: none"> <li>Refer to Global Reporting Initiative (GRI) content index on the Responsible banking chapter, and more specifically to GRI 201.1 Direct economic value generated and distributed (p. <a href="#">144</a>). <ul style="list-style-type: none"> <li>Economic value generated in 2021: EUR 46,414 million</li> <li>Economic value distributed: EUR 24,541 million</li> <li>Economic value retained EUR 21,873 million</li> </ul> </li> <li>a Revenue: EUR 46,404 million</li> <li>b Operating cost: EUR 21,415 million</li> <li>c Employee wages and benefits: EUR 11,216 million</li> <li>d Payments to providers of capital: N/A</li> <li>e Payments to government: EUR 7,617 million (total taxes)</li> <li>f Community investment: EUR 152 million</li> </ol> Further detail for 1a-c refer to Group financial performance section on Economic and financial review chapter (p. <a href="#">327</a> ). Further detail for 1d refer to 3.3 Dividends in Shareholders section on Corporate governance chapter (p. <a href="#">196</a> ). Further detail for 1e refer to "Tax contribution" section on Conduct and ethical behaviour on Responsible banking chapter (p. <a href="#">37</a> ). 2. Grupo Santander did not receive public subsidies in 2021. Refer to Annual banking report, e) (p. <a href="#">804</a> ).
<b>Wealth creation and Employment</b>	<b>Financial investment contribution disclosure:</b> <ol style="list-style-type: none"> <li>Total capital expenditures (CapEx) minus depreciation supported by narrative to describe the company's investment strategy.</li> <li>Share buybacks plus dividend payments supported by narrative to describe the company's strategy for returns of capital to shareholders.</li> </ol>	<ol style="list-style-type: none"> <li>Refer to note 16.b Tangible assets – For own use section on the Auditor's report consolidated financial statements (p. <a href="#">621</a>).  Additionally, refer to <ul style="list-style-type: none"> <li>Operating expenses data on the Economic and financial review chapter (p. <a href="#">320</a>).</li> <li>Note 47. Other general administrative expenses of consolidated annual accounts (p. <a href="#">701</a>).</li> </ul> </li> <li>Refer to Shareholder value section on Responsible Banking chapter (p. <a href="#">69</a>). and 3. Shareholders. Engagement and general meeting section on Corporate Governance chapter (p. <a href="#">179</a>).</li> </ol>
<b>Community and social vitality</b>	<b>Total tax paid:</b> The total global tax borne by the company, including corporate income taxes, property taxes, non- creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes.	Refer to "Tax contribution" on Conduct and ethical behaviour of the Responsible Banking chapter (p. <a href="#">37</a> ). Further detailed information see Annual banking report (p. <a href="#">804</a> ).
<b>Additional tax remitted</b>	The total additional global tax collected by the company on behalf of other taxpayers, including VAT and employee-related taxes that are remitted by the company on behalf of customers or employees, by category of taxes.	Refer to 'Tax contribution' in the Conduct and ethical behaviour section of the Responsible Banking chapter (p. <a href="#">37</a> ). Further detailed information see Annual banking report (p. <a href="#">804</a> ).

Theme	Metric	Response
<b>Total tax paid by country for significant locations</b>	Total tax paid and, if reported, additional tax remitted, by country for significant locations.	Refer to 'Tax contribution' in the Conduct and ethical behaviour section of the Responsible Banking chapter (p. <a href="#">37</a> ). Further detailed information see Annual banking report (p. <a href="#">804</a> ).
<b>Innovation in better products and services</b>	<b>Total R&amp;D expenses (\$):</b> Total costs related to research and development.	Innovation and technological development are strategic pillars of Grupo Santander. We aim to respond to fresh challenges that emanate from digital transformation, focusing on operational excellence and customer experience  As in previous years, the latest European Commission ranking (2021 EU Industrial R&D Investment Scoreboard, based on 2020 data) ranked our technological effort first among Spanish companies and we are the second global bank for investment in R&D.  The equivalent investment in R&D&I to that considered in this ranking amounted to EUR 1,325 million.  Refer to Research, development and innovation (R&D&I) section on Economic and financial review (p. <a href="#">410</a> ).  Additional information refer to note 18 on the Audit's report and consolidated financial statements (p. <a href="#">627</a> )
<b>People</b>		
<b>Dignity and equality</b>	<b>Diversity and inclusion (%):</b> Percentage of employees per employee category, per age group, gender and other indicators of diversity (e.g. ethnicity).	Refer to Key metrics section of the Responsible Banking chapter (p. <a href="#">117</a> ).  Additional information on how we promote D&I refer to 'Diversity and inclusion' in A talented and motivated team section on Responsible Banking chapter (p. <a href="#">44</a> ).
	<b>Pay equality:</b> Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men; minor to major ethnic groups; and other relevant equality areas.	In 2021 our equal pay gap declined to 1% from 1.5% in 2020. We set up fair pay programmes to reduce the equal pay gap. They include systematic reviews tied to remuneration cycles (merit-based promotions and bonuses), work reorganization and career development plans to recruit, engage, and retain diverse talent.  Refer to 'Equal pay' in A talented and motivated team section on Responsible Banking chapter (p. <a href="#">44</a> ).
	<b>Wage level (%):</b> 1. Ratios of standard entry-level wage by gender compared to local minimum wage 2. Ratio of CEO's total annual compensation to median total annual compensation of all employees (excluding the CEO)	1. Refer to Key metrics section on Responsible banking chapter (p. <a href="#">117</a> ).  Table '16.2 Ratio between the Bank's minimum annual salary and the legal minimum annual salary by country and gender 2021'  We take as a reference the Bank's minimum annual salary in each country.  2. Refer to 6. Remuneration section on Corporate Governance chapter (p. <a href="#">179</a> ).
	<b>Risk for incidents of child, forced or compulsory labor:</b> An explanation of the operations and suppliers considered to have significant risk for incidents of child labor, forced or compulsory labor. Such risks could emerge in relation to type of operation (such as manufacturing plant) and type of supplier; or countries or geographic areas with operations and suppliers considered at risk.	Refer to 'Protecting human rights' in "Environmental and social risk analysis" on Conduct and ethical behaviour of the Responsible banking chapter (p. <a href="#">37</a> ).  We have zero tolerance towards employee, customer and supplier discrimination, forced labour and child exploitation. We respect the provisions of the ILO convention and the legal minimum working aged established in countries.  Further detail on our Human rights policy, available at our corporate website.

Theme	Metric	Response
	<b>Discrimination and Harassment Incidents (#) and the Total Amount of Monetary Losses (\$):</b> Number of discrimination and harassment incidents, status of the incidents and actions taken and the total amount of monetary losses as a result of legal proceedings associated with (1) law violations and (2) employment discrimination.	Refer to 'Litigation and other matters' in note 25.e of the Auditor's report and consolidated financial statements (p. <a href="#">647</a> ).
	<b>Freedom of Association and Collective Bargaining at Risk (%):</b> 1. Percentage of active workforce covered under collective bargaining agreements 2. An explanation of the assessment performed on suppliers for which the right to freedom of association and collective bargaining is at risk including measures taken by the organization to address these risks.	1. Refer to Key metrics section on Responsible banking chapter (p. <a href="#">117</a> ). - Table 10. Coverage of the workforce by collective agreement
<b>Health and well being</b>	<b>Health and Safety (%):</b> 1. The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries, main types of work-related injury; and the number of hours worked. 2. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services and the scope of access provided for employees and workers.	1. Refer to Key metrics section on the Responsible Banking chapter (p. <a href="#">117</a> ). • Table 21. Accident rate • Table 22. Occupational health and safety 2. Refer to Our wellbeing in A talented and motivated team section on Responsible banking chapter (p. <a href="#">44</a> ).
<b>Skills for the future</b>	<b>Training provided (#, \$):</b> 1. Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees). 2. Average training and development expenditure per full time employee.	Refer to Key metrics section on the Responsible Banking chapter (p. <a href="#">117</a> ). • Table 17. Training • Table 18. Hours of training by category • Table 19. Hours of training by gender • 30,60 hours per employee • EUR 381.28 of investment per employee.

# SDGs contribution content index

We have identified eleven SDGs and associated targets on which we have the greatest impact.

Summary of SDG target	Relevant reference in the 2021 ESG Report and appendix
<b>SDG 1</b>	
1.2 Reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions	• Support for higher education and other local initiatives. Other community support programmes (p. <a href="#">107</a> )
1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services	• Acting responsibly towards customers. Product Governance and consumer protection. Sales processes. Vulnerable customers (p. <a href="#">61</a> )
1.5 Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters	• Financial inclusion and empowerment (p. <a href="#">96</a> )
<b>SDG 4</b>	
4.3 Ensure equal access for all to affordable and quality technical, vocational and tertiary education, including university.	• Support for higher education and other local initiatives. Support for higher education (p. <a href="#">107</a> )
4.4 Substantially increase the number of young people and adults with technical and vocational skills to access quality employment and entrepreneurial opportunities.	• Support for higher education and other local initiatives. Support for higher education (p. <a href="#">107</a> )
4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for persons with disabilities, indigenous populations and vulnerable children, among others.	• Support for higher education and other local initiatives. Support for higher education (p. <a href="#">107</a> )
4.6 Substantially increase the scholarships available to developing countries for enrolment in higher education, including vocational training and ICT, technical, engineering and scientific programmes	• Support for higher education and other local initiatives. Other community support programmes (p. <a href="#">107</a> )
<b>SDG 5</b>	
5.1. End all forms of discrimination against all women and girls everywhere.	• A talented and engaged team. A diverse and inclusive workplace. Gender equality (p. <a href="#">44</a> )
5.5 Ensure women's full and effective participation in, and equal opportunities for, leadership at all levels of decision making	• A talented and engaged team. A diverse and inclusive workplace. Gender equality (p. <a href="#">44</a> )

## SDG 7

7.1 Ensure universal access to affordable, reliable and modern energy services

- Supporting the green transition. Supporting our customers in the green transition. Corporate and Investment Banking. Financing renewable energies (p. [72](#))
- Supporting the green transition. Supporting our customers in the green transition. Retail and commercial banking (p. [72](#))

7.b Expand infrastructure and improve technology to provide modern and sustainable energy services

- Supporting the green transition. Supporting our customers in the green transition. Corporate and Investment Banking. Financing renewable energies (p. [72](#))

## SDG 8

8.3 Promote development-orientated policies that support production, job creation, entrepreneurship, creativity and innovation, and promote the start-up and growth of micro, small and medium-sized enterprises through access to financial services and other means.

- Financial inclusion and empowerment (p. [96](#))
- Support for higher education and other local initiatives. Support for higher education. Entrepreneurship (p. [107](#))

8.5 Secure wholesome and productive employment and decent work for all - most notably young people and persons with disabilities - and equal pay for work of equal value.

- Supporting the green transition. Environmental footprint (p. [72](#))
- A talented and engaged team. A diverse and inclusive workplace. Gender equality (p. [44](#))
- A talented and engaged team. A diverse and inclusive workplace. People with disabilities (p. [44](#))
- Support for higher education and other local initiatives. Support for higher education. Fundación Universia (p. [107](#))

8.6 Substantially reduce the proportion of youth not in employment, education or training

- Support for higher education and other local initiatives. Support for higher education (p. [107](#))

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

- Conduct and ethical behaviour. Ethical channel (p. [37](#))
- A talented and motivated team. A diverse and inclusive workplace. Employee wellbeing. Employee wellbeing (p. [44](#))
- A talented and motivated team. Work-life balance and job efficiency. Social dialogue and restructuring (p. [44](#))

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

- Financial inclusion and empowerment (p. [96](#))

## SDG 10

10.2 Strengthen and promote social, economic and political inclusion for all

- Financial inclusion and empowerment (p. [96](#))
- Support for higher education and other local initiatives. Other community support programmes (p. [107](#))

## SDG 11

11.1 Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

- Financial inclusion and empowerment (p. [96](#))

11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage

- Conduct and ethical behaviour. Environmental and social risk management (p. [37](#))
- Support for higher education and other local initiatives. Other community support programmes (p. [107](#))

11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

- Supporting the green transition. Environmental footprint (p. [72](#))

## SDG 12

12.2 Achieve the sustainable management and efficient use of natural resources

- Supporting the green transition. Environmental footprint (p. [72](#))

12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse

- Supporting the green transition. Environmental footprint (p. [72](#))

12.6 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

- see Responsible Banking chapter [p. [15](#)]

## SDG 13

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

- Supporting the green transition. Our approach (p. [72](#))
- Supporting the green transition. Risk management (p. [72](#))

## SDG 16

16.5 Considerably reduce corruption and bribery in all their forms.

- Conduct and ethical behaviour. General code of conduct (p. [37](#))
- Conduct and ethical behaviour. Financial Crime Compliance (p. [37](#))

16.6 Develop effective, accountable and transparent institutions at all levels

- About this report (p. [16](#))
- Shareholder value. Communication with shareholder, investors and analysts (p. [69](#))
- Shareholder value. ESG indices and analysts (p. [69](#))
- Further information (p. [131](#))

16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels

- What our stakeholders tell us (p. [24](#))

## SDG 17

- What our stakeholders tell us (p. [24](#))
- Governance. Partnerships to promote our agenda (p. [29](#))

# Independent verification report

GRI 102-56



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

## Independent verification report

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

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, "Responsible banking" chapter, which corresponds to the attached Consolidated Statement of Non-Financial Information ("SNFI") for the year ended 31 December 2021 of Banco Santander, S.A. (Parent company) and subsidiaries (hereinafter "Banco Santander") which forms part of the accompanying Banco Santander's consolidated management report.

The content of the SNFI includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in table included in the section "Non-financial information Law content index" and in the "Global Reporting Initiative (GRI) content index" included in the accompanying SNFI.

### Responsibility of the directors of the Parent company

The preparation of the SNFI included in Banco Santander's consolidated management report and the content thereof, are the responsibility of the directors of Banco Santander, S.A. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the *Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards")* in line with the Exhaustive option and the Financial Services Sector Disclosures of the GRI G4 Guidelines Industry Supplement in accordance with the details provided for each matter in the table included in the section "Non-financial information Law content index" and in the "Global Reporting Initiative (GRI) content index" of the consolidated management report.

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

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

### Our independence and quality control

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

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inscrita en el R.O.A.C. con el número 50242 -CIF: B-79.031290.





Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

#### Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of Banco Santander that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Banco Santander, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2021, based on the materiality analysis carried out by Banco Santander and described in section "What our stakeholders tell us", taking into account the content required by current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2021.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2021.
- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2021 and that it was adequately compiled using data provided by the sources of the information.
- Obtaining a management representation letter from the directors and management of the Parent company.





#### Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the "Responsible banking" chapter, which corresponds to the attached SNFI of Banco Santander, S.A. and its subsidiaries, for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and in accordance with the criteria of the GRI Standards described in line with the Exhaustive option and the Financial Services Sector Disclosures of the GRI G4 Guidelines in accordance with the details provided for each matter in the table included in the section "Non-financial information Law content index" and in the "Global Reporting Initiative (GRI) content index" of the consolidated management report.

#### Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments, establishes the obligation to disclose information on the manner and extent to which the assets of the company are associated with economic activities eligible according to Taxonomy for the first time for the year 2021, provided that the SNFI is published as of 1 January 2022. Consequently, comparative information on this matter has not been included in the accompanying SNFI. In addition, information has been included in respect of the criteria that the directors of Banco Santander have chosen to apply the criteria that, in their opinion, best allow compliance with the new obligation and that are defined in note "Information about Article 8 of the EU Taxonomy Regulation" of the accompanying SNFI. Our conclusion has not been modified in relation to this matter.

#### Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.



Pablo Bascones Ilundáin

25 February 2022

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# Corporate governance



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## Structure of our corporate governance report

On 12 June 2018, the CNMV (Spanish stock market authority) approved new models for annual reports on corporate governance and remuneration, allowing companies to draft them in an open format.

Thus, our corporate governance report (comprising this chapter) follows since then an open format. This includes:

- Legally-required content for the corporate governance report.
- Reports on the activities of board committees. See sections [4.4](#) to [4.10](#).
- Annual report on directors' remuneration, which we are required to prepare and submit to a non-binding vote at our 2022 annual general meeting. See section [6](#). '[Remuneration](#)'.
- Directors' remuneration policy. See section [6.4](#) '[Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote](#)'.
- Cross references to find the information for each section of the corporate governance and remuneration reports in the CNMV's required format in this and other chapters of the annual report. See sections [9.1](#) '[Reconciliation with the CNMV's corporate governance report model](#)' and [9.4](#) '[Reconciliation with the CNMV's remuneration report model](#)'.
- Cross references to find the information supporting each response to all recommendations in the CNMV'S Good Governance Code for Listed Companies (Spanish Corporate Governance Code) in the 2021 corporate governance and other chapters of this annual report. See section [9.3](#) '[Table on compliance with and explanations of recommendations on corporate governance](#)'.





# 1. 2021 Overview



'The continuing impact of the global pandemic on our business, on our customers and on our employees, taken together with an uncertain economic and geopolitical environment, reinforces the need for Banco Santander board of directors' constant vigilance of the management and oversight of its operations. We do this through a commitment to strong and effective governance processes to ensure that the board and management are directing Santander Group and its operations in the best interests of all our stakeholders, including shareholders, customers, employees, regulators and the communities in which we work around the world. We are also committed to playing our part in helping decarbonize the physical environment around us and reach net zero by 2050.

Santander's sophisticated governance model is designed to ensure that it can deliver its strategic plans, while ensuring that appropriate checks and balances are in place, so that the business is, at all times, resilient and sustainable in the face of a rapidly changing set of challenges and aligned with our values. During 2021, we devoted time to reviewing the roles and responsibilities of the most senior executives, including those of the executive chair and the CEO; and the independence, integrity and robustness of Banco Santander's control functions. Details of the governance reviews conducted in that regard are outlined in the nomination committee report. Succession planning for our board members and senior managers remains a priority and will enable us to attract and retain the diverse range of highly talented colleagues we need to lead Banco Santander.

Notwithstanding the strong performance of Santander in 2021, it is important that we are never complacent and that we continue to challenge ourselves and look to improve our governance where possible'.

**Bruce Carnegie-Brown**, Lead independent director

## 1.1 Board skills and diversity

The board's composition did not change in 2021, after three years in which 47% of its members were renewed in order to boost diversity and expertise. 40% of board members are women, in line with its even representation target (of 40-60%) of both genders; and 66.67% are independent directors.

The changes in recent years have strengthened its banking, financial, technological and digital prowess; made it more diverse in terms of regional origin; and, overall, given it the right composition to lead the Group in pursuit of its strategy now and in the future.

On 24 February 2022, the board of directors nominated Germán de la Fuente Escamilla to be made a new independent director at the annual general meeting called for 31 March on first call or on 1 April on second call (2022 AGM), and fill the vacancy left by Álvaro Cardoso de Souza, who had announced he would effectively step down once a nomination was approved. See section [3.5 'Our next AGM in 2022'](#).

Germán de la Fuente has a solid background in auditing, accounting and the banking industry, and held senior positions at Deloitte for over 30 years.

### Changes to the director category

Sergio Rial has changed his classification from executive to other external (non-executive or independent) having ceased his executive functions as CEO of Banco Santander (Brazil), S.A. and regional head of South America of the Group.

### Board committees

The board made the following changes to the composition of its committees to further enhance their operations and support in their

areas of expertise, according to best international practice and internal regulation:

- **Nomination committee:** Gina Díez Barroso joined the committee on 22 December 2021, raising the number of committee members from three to four.
- **Risk supervision, regulation and compliance committee:** Belén Romana García was appointed chair of the committee on 1 April 2021, replacing Álvaro Cardoso, who stepped down on the same date and was replaced by Pamela Walkden on 1 May 2021.

## 1.2 Board effectiveness

### Covid-19 and after the pandemic

In 2020, the pandemic's unprecedented effect on health and the global economy required a rapid, coordinated and sustained response from Santander to safeguard business continuity and tackle challenges effectively. In 2021, the board and its committees carried on that effort amid recovery from the crisis.

Banco Santander's Special situations global office (SSGO) reviewed Covid-19 management to recognize strengths in special situation governance, as well as opportunities to improve it. The board received its findings (based on feedback from core functions and external agents) and approved the improvements being made.

The exercise recognized the good practices adopted and rapid reaction capacity adopted by Banco Santander. In this sense, our management of the crisis has been recognised both externally (Euromoney award "Excellence in leadership" as best bank in the management of the crisis) and internally (95% of employees consider the crisis management to be very good). In addition, the review highlighted some areas of improvement: the relevance of the early and forward-looking threat identification, the speed-up of decision-making process and the coordination across the Group.

In addition to reviewing the special situation governance system, the board oversaw the measures taken for our stakeholders:

- **Employees:** reorganization of the way of working (promoting the remote working) and implemented protocols and preventive measures with the aim of protecting the health of all the Group's employees.
- **Customers:** revamp the digital and remote channels with multiple customised solutions to help retail customers and businesses; relaxing loan conditions for people and businesses hit by the pandemic (payment holidays, grace periods); or swiftly facilitating government-backed lines of credit and other public assistance measures.
- **Shareholders:** hybrid and remote general meetings that shareholders could attend in person or online, and revision of the shareholder remuneration policy according to ECB recommendations.
- **Society:** engagement with governments and institutions to aid recovery from the crisis, including donations of urgent health equipment and supplies.

### Group and subsidiary board relations

Strengthening the ties between the Group's and the subsidiaries' boards of directors is key to effective oversight of policies, controls and corporate culture. In the last two years, the global pandemic

heightened the need for the effective cross-border cooperation that our proven Group Subsidiary Governance Model (GSGM) facilitates. That governance model is strengthened by the presence of a number of Group non-executive directors on our subsidiary boards: Luis Isasi at Santander España; Álvaro Cardoso at Banco Santander (Brasil), S.A.; Homaira Akbari at Santander Consumer USA Holdings Inc.; and Pamela Walkden at Santander UK plc and Santander UK Group Holdings plc (having replaced Bruce Carnegie-Brown in 2021). See section [7. 'Group structure and internal governance'](#).

In 2021 we also continued to hold committee chair conventions across the Group. They reinforced our coordination and accentuated the benefits of cross-border cooperation.

Specifically, conventions of the audit and responsible banking, sustainability and culture committees chairs were held at the Santander Headquarters in Boadilla del Monte. The conventions aimed to foster further collaboration between countries, raise awareness about global initiatives and expectations, collectively debate current affairs and relevant operational matters, as well as encouraging networking among attendees.

Both events were successful and productive, with universal positive feedback received from participants. Our approach to holding such conventions will continue in 2022 and beyond.

### Board assessment and actions to continuously improve its functioning

Corporate governance is a key priority for Santander. Our governance model has consistently received strong support from shareholders, as evidenced by their high participation in general meetings and strong percentage of approval for corporate management and the re-election of the executive chair and other directors. As we are aware that governance arrangements need to adapt to contingent and forward-looking business and strategy needs, we must continuously monitor and enhance the functioning of our governance bodies.

While we are confident of the effectiveness of Santander's governance model, we regularly assess our governance framework with the support of external advisers as required. We also review individual and collective skills to ensure the board's competence and diversity are sufficient for it to function effectively and hold management to account through constructive challenge.

In 2020 we asked Egon Zehnder to conduct an effectiveness review of the board of directors and its committees in line with our policy to have an external party assess their annual effectiveness every three years. Egon Zehnder concluded that Santander's board is highly effective, with recent changes in its composition resulting in a stellar set of diverse and outstanding individuals and that its governance model with the current individuals in key roles, is well designed and effectively implemented with demonstrable outcomes, as shown in the performance of Banco Santander and high satisfaction of the board members.

In addition, in 2021 we asked another external firm to execute a broader review of our governance arrangements with the aim of assessing its overall functioning and adherence of Santander's governance model to regulations, supervisors' expectations, and industry best practice. After an in-depth analysis, the external firm came to the conclusion that Santander has implemented a sophisticated governance model that suits its group-wide characteristics and requirements. The external firm highlighted that Santander's corporate governance is a key tool to drive the Group towards the implementation of its medium and long-term strategy,

while managing the BAU operations and keeping a strong control on risks. They also acknowledged the high profile of Santander's board members as well as the diversity of board in terms of gender, geography, age and background.

Both external firms identified some areas for further improvement that contributed to an internal discussion led by the nomination committee and its chair, our lead independent director.

In view of the conclusions of both reviews, in December 2021 the board of directors approved an action plan that will further align our corporate governance arrangements with supervisors' expectations and best industry practices. It revolves around these objectives:

- Ensuring continued clarity of the role and the responsibilities of the most senior executives, including the executive chair and CEO;
- Ensuring that checks and balances remain appropriate and effective; and
- Ensuring that the independence of control functions remains fully preserved.

The plan will be executed in 2022 under the coordination of the general secretary and with oversight of the nomination committee and its chair.

In addition to the above-mentioned structured reviews and resultant action plan, we encourage an environment of ongoing feedback and suggestions from the board members focused on continuous improvement. In 2021, the non-executive directors, under the leadership of the lead independent director, identified the following areas for improvement:

- Optimizing board time spent together and the strategic areas of board focus; and increasing engagement with the executive and younger talent pools;
- Increasing board visibility of customers' and branches' needs and circumstances;
- Striking the right balance between holding the executive to account and engaging with the future talent pipeline;
- Optimizing the materials delivered to the board and its committees, ensuring the right balance between content and length;
- Continued focus on effective coordination between the board and its committees, ensuring an appropriate distribution of workload; and
- Reviewing scalable processes that could be applied across the Group more effectively, while understanding the changes required for the Group's strategic direction being more effective.

We are confident these actions will have a lasting positive impact on our effective corporate governance. In the future, according to our commitment to continuous improvement, we will review our corporate governance arrangements on an ongoing basis, so as to ensure that they remain fully effective.

### 1.3 Alignment of executive compensation with the Group's strategy, investors and long-term sustainability

Following the entry into force of the Capital Requirements Directive (CRD V), the board revised the remuneration scheme after five years to align it with strategy, investors' interests and long-term sustainability.

We took action to:

- Introduce stock options as part of variable pay, for greater alignment with shareholder returns;
- Update long-term compensation metrics, prioritizing:
  - Profitability and long-term value creation for Santander, applying return on tangible equity (RoTE);
  - Consistent total shareholder return (TSR), albeit raising the threshold above which executives begin to receive compensation for this metric from 33% to 40%; and
  - Sustainability, embedding an ESG metric that comprises five sub-metrics related to our Responsible Banking agenda.
- Reduce the short-term corporate bonus metrics from four to three: customers (30%), RoRWA (40%) and RoTE (30%) to sharpen focus on the Group's strategic priorities of customer and profitability; and
- Make these amendments to match the Group's strategic priorities:
  - Executive directors' compensation as board members of PagoNxt to be paid in PagoNxt capital instruments.
  - Scope of the Digital Incentive widened to include a PagoNxt component that encourages non-PagoNxt executives to work together towards its success, and the strategic initiatives of the Digital Consumer Bank and One Santander in Europe.

### 1.4 Engagement with our shareholders in 2021

In 2021, Banco Santander interacted with shareholders under conditions still marked by the covid-19 health crisis. Combining traditional communication channels with virtual meetings and special campaigns was fundamental to remain aligned with their interests and keep their loyalty. By digitalizing to stay at the forefront of both our core activity and shareholder and investor relations, we helped some four million shareholders from all over the world engage Grupo Santander.

We focused our efforts on explaining our governance and sustainability strategy in detail. Because we understand investors are more considerate of ESG performance and the impact our operations can have on society and the environment, we give detailed explanations about how we are helping tackle inequality, climate change and other global challenges. We also engaged in open and constructive dialogue with analysts who provide investors with information about sustainability and assess our risks, actions and impact relating to ESG. We were proactive in sharing developments in our responsible banking agenda, particularly regarding climate change, and considering their feedback in our materiality analysis and work to introduce ESG into our remuneration scheme. By doing things responsibly and creating long-term environmental and social solutions to support inclusive and sustainable growth, we are able to create value for shareholders and earn their lasting loyalty.



As regards the engagement of the shareholders in our corporate governance, in the light of attendance at the entirely virtual general meeting we held in 2020, we repeated the same format in 2021 according to all company obligations and without compromising shareholders' rights. By facilitating remote attendance through a live online broadcast of the general meeting, we ensure shareholders can fully exercise their rights to attend, participate, cast votes, make remarks, make proposals and send messages to the notary public that has been proved fundamental. Figures from the 2021 annual general meeting reveal that participation under this format is very similar to that in hybrid general meetings (see section [3.4 '2021 AGM'](#)).

We are convinced that our virtual general meetings provide shareholders the same opportunity to participate as in-person

meetings. We proposed to shareholders at the general meeting an amendment to our by-laws to sanction entirely virtual general meetings. The new by-law provides even more extensive protections than the law, as it allows shareholder requests to be addressed (where possible) during general meetings or posted on the corporate website for the general public if they are addressed on a later date. All over the world, shareholders vastly supported making our regulations on general meetings more flexible. Now, they will not need to travel in order to take part in meetings (see section [3.4 '2021 AGM'](#)).

## 1.5 Achievement of our 2021 goals

The 2020 annual report disclosed our corporate governance goals and priorities for 2021. The following chart describes how we delivered on each priority.

### 2021 goals

### How we delivered

#### Long-term shareholder value

Focusing on long-term shareholder value as well as supervising and supporting the management team in implementing our strategy, so that shareholder returns appropriately reflect the group's solvency, results, corporate culture and sustainable growth.

In 2021 we created value for our shareholders by focusing on delivering profitable growth in a responsible way. Our approach to ESG is embedded in all we do. In 2021 we generated more than EUR 2 billion in underlying profit every quarter and increased shareholder profitability compared to pre-pandemic levels. A key driver of this performance is our business model, customer focus, global scale and diversification.

#### Covid-19 crisis governance

Overseeing our response to the pandemic and our risk management of the economic crisis. It will prioritize the wellbeing of our employees, customers and shareholders by supporting our communities and continuing to build trust, underpinned by the strength of our business model, our strategy and the robust leadership of our teams.

Since the covid-19 crisis began, the Group has focused on devising and implementing measures to mitigate its impact.

The Group updated its Special Situations and Resolution rule map with a revised corporate framework that the subsidiaries' boards had adopted in December 2021. The new rules emphasize pre-emptive management of events and streamlined escalation. In particular, we tightened centralized monitoring and oversight of subsidiaries to coordinate their decisions with the Group effectively.

We launched several initiatives to financially support customers affected by the pandemic and to safeguard our customers' and employees' health while guaranteeing normal services. To fight the pandemic in the countries where we operate, we took several social actions, such as providing essential health equipment and supplies. See subsection 'Covid-19 and after the pandemic' in section [1.2](#).

Because of the Group and its subsidiaries' robust financial situation, we were able to maintain stable business levels and appropriate capital, liquidity and risk profile levels. We executed our risk management and control processes correctly, and our governing bodies heard regularly about the pandemic's impact and the measures each subsidiary was taking.

## 2021 goals

## How we delivered

### Strategic growth initiatives

Working on the Group's strategic growth priorities, which are critical to becoming the world's best open financial services platform.

Our initiatives include One Santander, which is a common operational and business model created to transform the way we serve our customers, providing a simpler and enhanced customer experience; PagoNxt, which is an autonomous global payment platform to combine our payments businesses and banks around the world, accelerating the deployment of payment solutions to our customers globally, and is critical to building One Santander; and the Digital Consumer Bank, integrating our fast-growing consumer lending business, Santander Consumer Finance (SCF), with Openbank to transform our digital proposition.

Our aim to become the world's best open financial services platform, building on our technology to earn customers' lasting loyalty, was helped by the progress we made with three strategic initiatives in 2021: One Santander, PagoNxt and Digital Consumer Bank.

We laid the foundations of our transformation in Europe (One Santander), with greater connection between customer segments and higher business activity that resulted in steady growth. In 2022, we will focus on harnessing our scale to roll out a common operational and business model.

PagoNxt also became a global payment platform for all Santander customers and the open market. Its acquiring solution is already running in 6 markets, serving 1.2 million merchants; its international trade solution is already in 8 markets. Also, we launched the Payments Hub to support all our customers' payments.

Digital Consumer Bank also registered strong financial performance and significantly increased its customer base in its push to become the largest digital consumer credit bank.

### Responsible Banking – embedding ESG in all we do

Driving Santander's efforts to deliver profit with a clear purpose, to help people and businesses prosper in the years ahead, and to build a more responsible bank.

Overseeing the implementation of our decisions to support the objectives of the Paris Agreement and focusing on fulfilling our commitment to raising and facilitating EUR 120 billion in green finance and to achieving the financial inclusion of 10 million people by 2025.

We met or exceeded all our 2019-2021 commitments and continued our efforts to make progress on our commitments for 2025.

On climate change, we set a goal to achieve net-zero CO2 emissions by 2050 and created our first decarbonization targets for exposures to thermal carbon and electric power generation. We became founder members of the Net Zero Banking Alliance and Santander Asset Management was the first fund manager in Spain to join the Net Zero Asset Managers Initiative with a commitment to reducing emissions from assets under management by 50% by 2030. We also issued our third green bond in the amount of EUR 1 billion to finance wind and solar power projects, and expanded our range of ESG wealth management products.

Through Santander finance for all program, we've financially empowered more than 7 million people since 2019.

*Euromoney* named us "Best Bank for Sustainable Finance in Latin America" and "Best ESG Private Bank" and "Best Bank for Financial Inclusion". Furthermore, *Great Place To Work* recognized us, for the third time, as one of the top 25 companies to work for. We were also the world's highest scoring bank and the second highest-scoring company in gender equality and diversity according to the Bloomberg Gender-Equality Index (the 2022 index includes 418 companies from 45 countries).

For more details, see '[Responsible banking](#)' chapter.

### High governance standards

Maintaining high standards of governance to fulfil our strategy and ensure long-term success. This will help ensure our ongoing effectiveness and alignment with best practice.

In particular, it will continue to instil strong governance disciplines as a key enabler to effective oversight and control across the group, making sure our corporate governance framework takes into account supervisory body recommendations as well as national and international guidelines.

In 2021, an in-depth review by an external adviser indicated that Banco Santander's corporate governance is consistent with regulation, industry best practice and the Group's structure, conducive to effective management to implement strategy and sustain sound risk control.

Our high rankings by ESG analysts who reviewed our performance in 2021 speak to our commitment to the highest governance standards. Banco Santander also received the highest score in the Spanish Association for Standardisation and Certification's (AENOR) new Good Corporate Governance Index, which checks board structure and dynamics, transparency, sustainability and ESG oversight.

As always, this year we followed the recommendations and instructions of supervisors and national and international bodies. We reviewed the EBA's new guidelines on internal governance and remuneration and joint guidelines with the ESMA on the assessment of the suitability of members of the management body and key function holders (released in July 2021) and are taking the measures needed to accommodate them.

In 2021 we fully complied with the total 61 recommendations that apply to us in the CNMV's Code of Good Governance (see section '[9.3 Table on compliance with, or explanations of, recommendations on corporate governance](#)').

## 1.6 Priorities for 2022

Our board's priorities for 2022 are:

- **Developing strategic initiatives: One Santander, PagoNxt and Digital Consumer Bank**

Overseeing those three strategic initiatives we launched in 2020 to help achieve our aim to be the world's best open financial services platform, acting responsibly and earning the trust of our employees, customers, shareholders and broader society:

- **One Santander:** A common operational and business model created to transform the way we serve our customers and provide a simpler and more enhanced customer experience;
- **PagoNxt:** This autonomous global payment platform to integrate all Santander customers with open market includes the Payments Hub and our acquiring and international trade businesses. It will roll out payment solutions globally to our customers faster, which is critical to building One Santander; and
- **Digital Consumer Bank:** Integrating Santander Consumer Finance (SCF) and our fast-growing auto and consumer finance businesses with Santander's digital native bank, Openbank, to boost the technological transformation of the consumer finance business and ensure profitability and growth.

- **Ensuring responsible, profitable growth**

We will continue to focus on generating profitable growth in a responsible way as a means of creating long-term value for our shareholders and other stakeholders. We will oversee the fulfilment of our ESG commitments to reach net zero emissions by 2050; raise 120 billion euros in green financing by 2025 and 220 billion euros by 2030; and financially empower 10 million people by 2025.

In 2022, we will set new short- and medium-term climate change objectives that will help us meet our long-term climate commitment.

- **Strengthening governance to ensure we fulfil our long-term vision**

We will continue to bolster our corporate governance by taking the improvement measures we identified in the 2021 review and enhancing our management bodies' operations to make sure we continue to adhere to national and international best practices and to supervisors' expectations.

- **Maintaining capital discipline and creating shareholder value**

In 2022, we will prioritize organic growth as part of our capital management, focusing on businesses with high returns on risk-weighted assets (RoRWA) and shareholder remuneration.

Our shareholder remuneration policy aims to pay out 40% of 2022 underlying profit, split in approximately equal measure between a cash dividend and a share buyback.

## 2. Ownership structure

- Broad and balanced shareholder base
- A single class of shares
- Authorised capital in line with best practices providing the necessary flexibility

### 2.1 Share capital

Our share capital is represented by ordinary shares, each with a par value of EUR 0.50. All shares belong to the same class and carry the same rights, including voting and dividends.

There are no bonds or securities that can be converted into shares other than contingent convertible preferred securities (CCPS), which are mentioned in section [2.2 'Authority to increase capital'](#).

At 31 December 2021, Banco Santander had a share capital of EUR 8,670,320,651 represented by 17,340,641,302 shares.

In 2021, share capital did not change.

At the 2022 AGM, the board of directors submitted three capital reduction resolutions to cancel the shares that were or will be acquired through the two announced share buyback programmes; as well as those that will be acquired as part of any new buyback programmes that the board may initiate or by other means legally permitted. See sections [3.3 'Dividends and shareholder remuneration'](#) and [3.5 'Our next AGM in 2022'](#).

We have a broad and balanced shareholder structure. At 31 December 2021, Banco Santander had 3,936,922 shareholders, distributed by type of investor, geographic region and number of shares as follows:

TYPE OF INVESTOR	% of share capital
Board <sup>A</sup>	1.05 %
Institutional	39.63 %
Retail	59.32 %
<b>Total</b>	<b>100 %</b>

A. Shares owned or represented by directors. For further details on shares owned and represented by directors, see 'Tenure and equity ownership' in section [4.2](#) and subsection A.3 in section [9.2 'Statistical information on corporate governance required by the CNMV'](#).

CONTINENT	% of share capital
Europe	76.09 %
Americas	22.44 %
Rest of the world	1.47 %
<b>Total</b>	<b>100 %</b>

### NUMBER OF SHARES

	% of share capital
1-3,000	8.57 %
3,001-30,000	17.30 %
30,001-400,000	12.01 %
Over 400,000	62.11 %
<b>Total</b>	<b>100 %</b>

### 2.2 Authority to increase capital

Under Spanish law, only shareholders at the general meeting have the authority to increase share capital. However, they may delegate the authority to approve or execute capital increases to the board of directors. Our By-laws are fully aligned with Spanish law and do not establish any different conditions for share capital increases.

As of 31 December 2021, our board of directors had received authorization from shareholders to approve or carry out the following capital increases:

- **Authorized capital to 2023:** at our April 2020 AGM, the board was authorised to increase share capital on one or more occasions by up to EUR 4,154,528,645.50 (50% of capital at the time of the April 2020 AGM or approximately 8.3 billion shares representing 47.86% of the share capital at 31 December 2021). The board was granted this authorization for three years (until 3 April 2023).

Consequently, the board can issue shares for cash consideration with or without pre-emptive rights for shareholders, and for capital increases to back any convertible bonds or securities issued under its authority granted by the April 2020 AGM.

Shares without pre-emptive rights under this authority can be issued up to EUR 830,905,729 (10% of capital at the time of the April 2020 AGM or approximately 1,661 million shares representing 9.57% of the share capital at 31 December 2021). However, when Law 5/2021 of 12 April, amending the revised Spanish Companies Act and other financial regulation in regard to the fostering of long-term shareholder engagement by listed companies (Act 5/2021) came into force, this limit on issuing shares without pre-emptive rights does not apply to capital increases to convert CCPS (which shall be converted into newly-issued shares when the CET1 ratio falls below a predetermined threshold). To date, this authorization has been used for the three CCPS issues executed in 2021.

The board of directors is proposing to have this authority renewed at our 2022 AGM. See section [3.5 'Our next AGM in 2022'](#).

- **Capital increases approved for contingent conversion of CCPs:** we issued contingent convertible preferred securities that qualify as regulatory Additional Tier 1 (AT1) instruments and would be converted into newly-issued shares if the CET1 ratio fell below a predetermined threshold. Each issue is therefore backed by a capital increase approved under the authorization granted to the board by shareholders. The chart below shows the outstanding CCPs at the time of this report, with details about the capital increase resolutions that back them. These capital increases are therefore contingent and have been delegated to the board of

directors. The board of directors is authorised to issue additional CCPs and other convertible securities and instruments in accordance with the annual general meeting held on 12 April 2019 resolution that allows convertible instruments and securities to be issued for up to EUR 10 billion or an equivalent amount in another currency (three issues were executed in 2021 under this authorization, as shown in the table below). Any capital increase to allow any such CCPs or other convertible instruments or securities to be converted would be approved under the authority which each issue was executed.

## ISSUES OF CONTINGENT CONVERTIBLE PREFERRED SECURITIES

Date of issuance	Nominal amount	Discretionary remuneration per annum	Conversion	Maximum number of shares in case of conversion <sup>A</sup>
25/04/2017	EUR 750 million	6.75% for the first five years	If, at any time, the CET1 ratio of Banco Santander or the Group is less than 5.125%	207,125,103
29/09/2017	EUR 1,000 million	5.25% for the first six years		263,852,242
19/03/2018	EUR 1,500 million	4.75% for the first seven years		416,666,666
08/02/2019	USD 1,200 million	7.50% for the first five years		388,349,514
14/01/2020	EUR 1,500 million	4.375% for the first six years		604,594,921
06/05/2021	USD 1,000 million	4.75% for the first six years		391,389,432
06/05/2021	EUR 750 million	4.125% for the first seven years		352,278,064
21/09/2021	EUR 1,000 million	3.625% for the first eight years		498,007,968

A. The figure corresponds to the maximum number of shares that could be required to cover the conversion of these CCPs, calculated as the quotient (rounded off by default) of the nominal amount of the CCPs issue divided by the minimum conversion price determined for each CCPs (subject to any antidilution adjustments and the resulting conversion ratio).

## 2.3 Significant shareholders

At 31 December 2021, no shareholder held more than 3% of Banco Santander's total share capital (which is the threshold generally provided under Spanish regulations for a significant holding in a listed company to be disclosed). Even though at 31 December 2021, certain custodians appeared in our shareholder registry as holding more than 3% of our share capital, we understand that those shares were held in custody on behalf of other investors, none of whom exceeded that threshold individually. These custodians were State Street Bank (13.35%), Chase Nominees Limited (9.15%), The Bank of New York Mellon Corporation (5.21%), Citibank New York (3.74%) and EC Nominees Limited (3.34%).

On 24 October 2019 BlackRock Inc., asset manager, reported to the CNMV its significant holding of voting rights in Banco Santander (5.426% of share capital at 24 October 2019). It also specified that it was holding shares on behalf of a number of funds or other investment entities, none of which exceeded 3% individually. In addition, on 21 February 2022, Amundi, S.A., another asset manager, reported to the CNMV its significant holding of voting rights in Banco Santander (3.007% of share capital), while it specifies that the corresponding shares are held by investment funds managed by management entities controlled by Amundi, S.A., none of which exceeds 3% individually. No other changes have been communicated since 31 December 2021. There may be some overlap in the holdings declared by the above mentioned custodians and asset managers.

At 31 December 2021, neither our shareholder registry nor the CNMV's registry showed any shareholder residing in a non-cooperative jurisdictions with a shareholding equal to, or greater than, 1% of our share capital (which is the other threshold applicable under Spanish regulations).

Our Bylaws and the Rules and regulations of the board of directors lay down an appropriate system for analysing and approving related-party transactions with significant shareholders. See section [4.12 'Related-party transactions and conflicts of interest'](#).

## 2.4 Shareholders' agreements

In February 2006, various persons linked to the Botín-Sanz de Sautuola y O'Shea family entered into a shareholders' agreement that set up a syndicate for their shares in Banco Santander. CNMV was informed of this agreement and the subsequent amendments the parties made. This information can be found on the CNMV website.

The main provisions of the agreement are:

- **Transfer restrictions:** except when the transferee is also a party to the agreement or the Fundación Botín, any transfer of Banco Santander shares expressly included in the agreement requires prior authorization from the syndicate meeting, which can freely authorise or reject it. These transfer restrictions apply to the shares they expressly cover under the agreement and to shares subscribed for, or acquired by, syndicate members in exercising any subscription, bonus share, grouping or division, replacement, exchange or conversion rights that pertain or are attributed to, or derive from, those syndicated shares.
- **Syndicated voting:** under the agreement, the parties will syndicate and pool the voting rights attached to all their shares in Banco Santander, so that syndicate members may exercise them and, in general, act towards Banco Santander in a concerted manner, in accordance with the instructions and indications and the voting criteria and orientation established by the syndicate. This covers the shares subject to the transfer restrictions mentioned above as well as any voting rights attached to any other Banco Santander shares held either directly or indirectly by the parties to the agreement, and any other voting rights assigned to them by virtue

of usufruct, pledge or any other contractual title, for as long as they hold those shares or are assigned those rights. For this purpose, representation of the syndicated shares is attributed to the chair of the syndicate, who will be the chair of the Fundación Botín (currently, Javier Botín, one of our directors and our Group executive chair's brother).

The agreement initially terminates on 1 January 2056, but will be automatically extended for additional 10-year periods unless one of the parties notifies of their intention not to extend six months before the initial term or extension period ends. The agreement may only be terminated early if all the syndicated shareholders agree unanimously.

At 31 December 2021, the parties to the shareholders' agreement held 100,784,838 shares in Banco Santander (0.58% of its capital), which were therefore subject to the voting syndicate. They include 80,355,819 shares (0.46% of its capital) that are also subject to the transfer restrictions.

Subsection A.7 of section [9.2 'Statistical information on corporate governance required by the CNMV'](#) contains the list of parties to the shareholders' agreement and the relevant information filed with CNMV.

## 2.5 Treasury shares

### Shareholder approval

The acquisition of treasury shares was last authorized at our April 2020 AGM, for five years and subject to the following provisions:

- Treasury shares held at any time cannot exceed 10% of Banco Santander's share capital, which is the legal limit set under the *Ley de Sociedades de Capital* (Spanish Companies Act).
- The purchase price cannot be lower than the nominal value of the shares nor exceed 3% of the last trading price in the Spanish market for any trades in which Banco Santander does not act on its own behalf.
- The board may establish the purposes for and the procedures through which the authorization may apply.

### Treasury shares policy

On 27 October 2020, the board approved the current treasury shares policy, which dictates that treasury share transactions may be carried out for these **purposes**:

- Provide liquidity or supply of securities in the market for Banco Santander shares, which gives this market depth and minimizes any temporary imbalances in supply and demand.
- Take advantage for the benefit of all shareholders of weakness in the share price in relation to its medium-term outlook.
- Meet our obligations to deliver shares to our employees and directors.
- Serve any other purpose authorized by the board within the limits set at the general meeting.

Among other things, the policy also provides for:

- The **principles** to uphold in treasury share trades, which include protecting financial markets' integrity and prohibiting market manipulation and insider trading.
- The **operating rules** on how treasury share trades must be carried out, unless in exceptional circumstances as per the policy. These rules include:
  - **Responsibility for execution** of these trades, which falls on the Investments and Holdings department, kept separate from the rest of Santander.
  - **Venues and types of trades.** Trades must generally be carried out in the orders market of the *mercado continuo* (continuous market) of Spanish stock exchanges.
  - **Volume limits**, which in general must not exceed 15% of the average daily trading volume for Banco Santander shares in the previous 30 sessions in the *mercado continuo*.
  - **Price limits.** In general, (a) buy orders should not exceed the greater of the price of the last trade in the market between independent parties or the highest price in a buy order in the order book and (b) sell orders should not be lower than the lesser of the price of the last trade in the market by independent parties and the lowest price in a sell order in the order book.
  - **Time limits**, including a 15-day black-out period that applies before each quarterly results presentation.
- **Disclosure to the markets** of treasury shares trading.

The policy applies to the discretionary trading of treasury shares. It does not apply to transactions in Banco Santander shares carried out to hedge market risks or provide brokerage or hedging for customers.

The full treasury shares policy is at Banco Santander's corporate website.

### First Buyback Programme

On 28 September 2021, the board resolved to execute a treasury shares buyback programme (First Buyback Programme) worth up to 841 million euros (20% of the Group's underlying profit in H1 2021) according to the treasury shares policy and 2021 shareholder remuneration policy. It had based its decision on authorization by the ECB, and by shareholders at the April 2020 AGM.

In the First Buyback Programme (from 6 October to 25 November 2021), we acquired 259,930,273 treasury shares — 1.499% of Banco Santander's share capital — at a weighted average price per share of 3.2355 euros.

The purpose of the First Buyback Programme was to reduce Banco Santander's share capital by cancelling the repurchased shares, which the board put to a vote at the 2022 AGM. See section [3.5 'Our next AGM in 2022'](#).

### Second Buyback Programme

Under the same AGM approval, on 24 February 2022 the board resolved that it would execute a new share buyback programme worth 865 million euros (approximately 20% of the Group's underlying attributable profit in H2 2021) as shareholder remuneration charged against 2021 results once it had obtained the required regulatory authorization (Second Buyback Programme).



The purpose of the Second Buyback Programme is to reduce Banco Santander's share capital by cancelling purchased shares (up to the agreed maximum), for which the board submitted a resolution for a vote at the 2022 AGM. See section [3.5 'Our next AGM in 2022'](#).

As of 31 December 2021, Banco Santander and its subsidiaries held 277,591,940 shares, which represented 1.601% of share capital (compared to 28,439,022 at 31 December 2020, then representing 0.164% of share capital).

## Activity in 2021

The chart below summarizes the monthly average proportion of treasury shares to share capital throughout 2021 and 2020.

### MONTHLY AVERAGE OF DAILY POSITIONS IN TREASURY SHARES

% of Banco Santander's share capital at month end

	2021	2020
January	0.16%	0.09%
February	0.18%	0.06%
March	0.17%	0.11%
April	0.17%	0.17%
May	0.18%	0.17%
June	0.19%	0.15%
July	0.19%	0.15%
August	0.05%	0.17%
September	0.05%	0.17%
October	0.27%	0.18%
November	1.08%	0.17%
December	1.90%	0.16%

In 2021, the Group's treasury share trades consisted of the following values:

### ACQUISITIONS AND TRANSFERS OF TREASURY SHARES IN 2021

EUR (except number of shares)	Acquisitions				Transfers				
	Number of shares	Total par value	Total cash amount	Average purchase price	Number of shares	Total par value	Total cash amount	Average purchase price	Profit (loss) net of taxes
Discretionary trading	68,493,750	34,246,875	198,647,885	2.90	79,271,105 <sup>A</sup>	39,635,553 <sup>A</sup>	248,288,885 <sup>A</sup>	3.13 <sup>B</sup>	23,270,000 <sup>B</sup>
Client induced trading <sup>C</sup>	195,888,825	97,944,413	605,336,429	3.09	195,888,825	97,944,413	605,336,429	3.09	0
Santander share buy-back	259,930,273	129,965,137	840,999,994	3.235	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>524,312,848</b>	<b>262,156,424</b>	<b>1,644,984,308</b>	<b>3.08</b>	<b>275,159,930<sup>A</sup></b>	<b>137,579,966<sup>A</sup></b>	<b>853,625,314<sup>A</sup></b>	<b>3.11<sup>B</sup></b>	<b>23,270,000<sup>B</sup></b>

A. Includes two extraordinary donations totalling 55,750,000 treasury shares to Fundación Banco Santander. For more details, see 'Other programs to support communities' in section [Support to higher education and other local initiatives](#) of the 'Responsible banking' chapter.

B. Excluding the donations mentioned in footnote A above.

C. Transactions in Banco Santander shares carried out to hedge market risks or provide brokerage or hedging for customers.

The chart below shows significant changes in treasury shares that required disclosure to the CNMV in the year. Companies must report to the CNMV when purchases of treasury shares exceed 1% of the total voting rights (without discounting sales or transfers) or there is a change in the number of total voting rights.

### SIGNIFICANT CHANGES IN TREASURY SHARES IN 2021<sup>A</sup>

Reported on	% of voting rights represented by shares		
	acquired since last notice	transferred since last notice	held at reference date of notice
17/03/2020 <sup>B</sup>	0.163%	0.185%	0.156%
14/06/2021	1.001%	0.96%	0.197%
20/10/2021	1.017%	0.916%	0.298%
19/11/2021	1.001%	0.146%	1.153%

A. Percentages calculated with share capital at the date of disclosure.

B. This notice was corrected by disclosure dated 18 March 2021. Data shown as corrected.

### Transactions with financial instruments

Below are the details of the transactions we carried out of our own accord for a purpose similar to discretionary treasury share management and with Banco Santander shares as the underlying asset in 2021:

- In Q4, we took an investment position with a Delta (i.e. net exposure to share price changes) equalling 8,000,000 shares worth a total 22,600,000 euros. That was the final position at year end.
- The instruments used were Total Return Equity Swaps, payable exclusively as a cash settlement.



## 2.6 Stock market information

### Markets

Banco Santander shares are listed on Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia, under the trading symbol 'SAN'), the New York Stock Exchange (NYSE) as American Depositary Shares (ADS) under the trading symbol 'SAN' (each ADS represents one Banco Santander share), the London Stock Exchange as Crest Depositary Interests (CDI) under trading symbol 'BNC' (each CDI represents one Banco Santander share), the Mexican Stock Exchange under the trading symbol 'SAN', and the Warsaw Stock Exchange under the trading symbol 'SAN'.

### Market trends

The global economy came back strong. Vaccination programmes enabled a return to economic activity and mobility amid excess liquidity and expansionary fiscal policies. Despite uncertainties due to the surge of new covid-19 variants, positive trends drove a rise in commodity prices and inflationary pressures, which rebounded to the highest levels in a decade in the US and the eurozone.

Central banks in developed economies began a widespread withdrawal of monetary stimulus. The Bank of England raised interest rates to 0.25% on the back of a strong jobs market and high inflation. The US Federal Reserve announced its intention to start raising rates no later than mid-2022. The ECB is limiting the withdrawal of stimulus to liquidity by scaling back its purchase programmes.

Major global equity indices ended 2021 with significant aggregate gains. The banking industry registered better performance owing to the lifting of restrictions on dividend payments, favourable results of US bank stress tests, and better outlooks for most European banks.

The IBEX 35 in Spain increased 7.9%; the DJ Stoxx 50 in Europe by 22.8%; DJ Banks by 34.0%; and the MSCI World Banks by 22.7%.

### Market capitalization and trading

By 31 December 2021, Banco Santander's market capitalization of EUR 50,990 million was the second largest in the eurozone and 24th largest in the world among the financial institutions.

13,484 million Banco Santander shares traded in the year for an effective value of EUR 41,195 million and a liquidity ratio of 78%.

#### THE BANCO SANTANDER SHARE

	2021	2020
Shares (million)	17,340.6	17,340.6
<b>Price (EUR)</b>		
Closing price <sup>A</sup>	2.941	2.538
Change in the price	16%	-29%
Maximum for the period <sup>A</sup>	3.509	3.799
Date of maximum for the period	3/6/2021	17/2/2020
Minimum for the period <sup>A</sup>	2.375	1.439
Date of minimum for the period	28/1/2021	24/9/2020
Average for the period <sup>A</sup>	3.055	2.288
End-of-period market capitalization (EUR million)	50,990	44,011
<b>Trading</b>		
Total volume of shares traded (million)	13,484	19,080
Average daily volume of shares traded (million)	52.7	74.2
Total cash traded (EUR million)	41,195	45,034
Average daily cash traded (EUR million)	160.9	175.2

A. Data adjusted to the December 2020 capital increase.

# 3. Shareholders. Engagement and general meeting

- One share, one vote, one dividend
- No takeover defences in our Bylaws
- High participation and engagement of shareholders in our general meetings

## 3.1 Shareholder communication and engagement

### Policy on communication and engagement with shareholders and investors

Banco Santander aims to ensure its interests are in line with shareholders', long-term share value and the long-term confidence of investors and society. We provide information to shareholders and investors that satisfies their expectations and upholds our culture and values. We also communicate and engage with them regularly so that their views will be considered by senior managers and governance bodies.

The principles of Santander's policy on communication and engagement with shareholders and investors are:

- **Protection of rights and lawful interests of all shareholders.** We facilitate their rights to be exercised, provide them with information and give them opportunities to be involved in our corporate governance effectively.
- **Equal treatment and non-discrimination.** We treat investors equally in accordance with status.
- **Fair disclosure.** We make sure our disclosure of information in interactions with investors is transparent, truthful and symmetrical. Any inside or relevant information given to investors will have been previously disclosed except when applicable regulation provides otherwise.
- **Appropriate disclosure of information.** We report the right information to meet our investor's needs and expectations. We make sure to give investors clear, concise and reliable information in a way that is tailored to shareholders.
- **Compliance with our Bylaws and corporate governance rules,** as well as the principles of cooperation and transparency with the competent regulators and supervisors, in accordance with internal guidelines. We adhere closely to the laws and regulations on insider and price-sensitive information in addition to our own Code of Conduct in Securities Markets, the General Code of Conduct and the Rules and regulations of the board of directors.

The policy further describes:

- The **roles and responsibilities** of Banco Santander's main bodies and functions involved in communication and engagement with shareholders and investors.
- The **channels for disclosing information** and communicating with shareholders and investors.

- The **ways Banco Santander engages** with shareholders and investors, which are covered below.

Furthermore, the policy applies to relations with the financial, environmental, social and corporate governance analysts, proxy advisers, rating agencies and other agents whom our shareholders and investors consult and we consider essential.

Our policy on communication and engagement with shareholders and investors can be found in the corporate website.

In addition, Banco Santander has board-approved frameworks on brand and communications, and accounting and financial information and management. They set out the general principles, roles and key processes on the communication of economic-financial, non-financial and corporate information, helping ensure that all our shareholders and other stakeholders are properly informed about our strategy, goals and results, as well as about our culture and values, maximizing the disclosure and quality of the information available to the market.

### Engagement with shareholders in 2021

In keeping with our policy, we engaged with our shareholders as follows:

- **The annual general meeting.** The annual general meeting is our most important annual event for our shareholders. We strive to encourage all our shareholders to be informed, attend and participate. See 'Participation of shareholders at general meetings' and 'Right to receive information' in section [3.2](#).

At the annual general meeting, the chair reports on the year's most significant changes to the Group's corporate governance, supplementing the corporate governance report. She also addresses any questions raised by shareholders about the matters included in the agenda and the relevant information disclosed to the market since the last general meeting.

The CEO presents on the Group's business landscape, strategy execution and performance (overall and by region, country and business) and the main priorities for the following year.

Furthermore, the chairs of the audit, nomination and remuneration committees also report to the annual general meeting on their operations and elaborate on the related information provided in this chapter.

Our 2021 AGM was fully virtual to protect the health of our shareholders and everyone who organized it. Our general meeting attendance app enables shareholders to exercise their rights to attend and participate in real time and remotely. They can watch

the entire meeting through a live feed, vote, make remarks, propose resolutions and contact the notary public. Such high shareholder turnout and meeting participation proved our remote communication systems are effective.

The outstanding quorum and voting results in our 2021 AGM show the importance we put on shareholder engagement through the annual general meetings. See section [3.4 '2021 AGM'](#).

Banco Santander's management system for the 2021 AGM received AENOR certification for sustainable events in compliance with the UNE-ISO 20121:2013.

- **Quarterly results presentations.** Every quarter we present our results on the same day we make them public. Our presentation can be followed live, via conference call or webcast. We release the related financial report and presentation material before market open. During the presentation, questions can be asked or emailed to: [investor@gruposantander.com](mailto:investor@gruposantander.com).

Our most recent event was our 2021 Results Presentation on 2 February 2022. In 2021, we gave our first, second and third quarter results presentations on 28 April, 29 July and 27 October, respectively.

- **Investor and strategy days.** We also organise investor and strategy days, where senior managers explain our strategy for investors and stakeholders in a broader context than in results presentations. Investors can also directly interact with senior managers and some directors, which is increasingly important and attests to our strong governance. As recommended by the CNMV, we publish announcements about meetings with analysts and investors and related documentation in advance. We held our last Investor Day on 3 April 2019 in London. The information made available during the investor day is not incorporated by reference in this annual report nor considered part of it.

- **Meetings and conferences.** Our Shareholders and Investors Relations team discusses financial and other issues at meetings with investors at conferences organised by third parties.

Notwithstanding the principle of equal treatment and non-discrimination, we have learned that one size does not fit all when engaging with investors. Therefore, we tailor the following engagements to meet the needs and expectations of especially our institutional investors, but also fixed-income investors, analysts and rating agencies, as well as retail shareholders:

- **Lead independent director engagement with key investors.** Our lead independent director, Bruce Carnegie-Brown, is regularly in contact with investors in Europe and North America, particularly in the months prior to the annual general meeting. We gather their insights and form an opinion about their concerns, especially regarding our corporate governance. In 2021 and early 2022, he met with 20 investors, who accounted for approximately 30% of share capital. In our annual board assessment, board members highly value Mr Carnegie-Brown's role in integrating new international best practices in corporate governance, fostering tailored relations with our institutional investors. The nomination committee considers the feedback received from investors.
- **Investor roadshows.** Our Shareholders and Investors Relations department is constantly in direct contact with institutional investors and analysts to promote all-round discussion on

shareholder value, better governance and remuneration schemes, and sustainability matters.

In 2021 Shareholder and Investor Relations engaged 942 times (mostly virtually) with 469 institutional investors from 136 locations. 85 of those meetings focused on environmental, social and governance aspects. It engaged with 40% of share capital, which is over 67% of the capital held by institutional investors.

We issued over 800 communications in 2021 to increase dialogue and transparency with shareholders and investors about the group's performance, results and the Banco Santander share.

- **Interaction with retail shareholders.** We also offer other special means of communication for retail shareholders regardless of the size of their stake. In 2021 the Shareholders and Investors Relations team organized 116 events with retail shareholders: 94 virtually; 20 in-person; and two in hybrid format. 5,027 people accounting for 332,063,674 shares (4% of our retail shareholders' capital in Spain) attended. Shareholders engaged with the chief financial officer (CFO) at several events.

The team also responded to 139,301 queries received via our shareholder and investor helplines, mailboxes, WhatsApp and bilateral meetings on the Virtual Customer Channel. Satisfaction surveys revealed 96% would recommend the attention service.

Lastly, we received 18,695 shareholder and investor opinions through quality surveys and studies.

### Communication with proxy advisors and other analyst and influencers

We have always recognised the value our investors place on open and proactive dialogue with proxy advisors, ESG analysts, and other influential entities. We make sure they understand our corporate governance, responsible banking and sustainability priorities and messages in order to convey them properly to the investors.

In 2021, through our continuous engagement with the main proxy advisers, we duly reported on and explained proposed resolutions submitted for the 2021 AGM so they could make voting recommendations.

### Corporate website

Our corporate website enables an effective communication with shareholders and all our global stakeholders. Its design enables us to be transparent and improves the experience of users in obtaining quality information about Santander.

Our corporate website includes information on corporate governance as required by law. In particular, (i) the key internal regulations of Banco Santander (Bylaws, Rules and regulations of the board, Rules and regulations for the general meeting, etc.); (ii) information on the board of directors and its committees as well as directors' professional biographies and (iii) information on general meetings.

The address of our information on corporate governance is: <https://www.santander.com/en/shareholders-and-investors/corporate-governance>. (It is included for reference purposes only. The content of our corporate website is not incorporated by reference in this annual report or otherwise considered part of it).

## Other channels

According to good governance guidelines, we have an app for Android and iOS with vast insight into the Group so all shareholders and investors can stay well informed.

We also post information about Banco Santander regularly on our official Twitter and LinkedIn accounts.

## 3.2 Shareholder rights

Our Bylaws provide for only one class of share (ordinary shares) and grants all shareholders the same rights. Each Banco Santander share entitles holders to one vote.

Banco Santander's Bylaws do not have any defensive mechanisms and fully conform to the notion of one share, one vote, and one dividend.

This section highlights certain key rights our shareholders have.

### No restrictions on voting rights or the free transfer of shares in our Bylaws

The law and the Bylaws only place restrictions on voting rights as a result of violation of regulations, as indicated below.

There are no non-voting or multiple-voting shares, shares giving preferential treatment in dividend pay-outs, shares limiting the number of votes a single shareholder can cast, or quorum requirements or qualified majorities other than those the law dictates.

There are no restrictions on the free transfer of shares other than those the law dictates, as indicated further in this section.

Neither our Bylaws nor any laws or regulations restrict the transferability of shares. Our Bylaws also do not restrict voting rights (except if they were acquired in violation the law or regulations).

Furthermore, our Bylaws do not include any neutralization provisions as defined in the *Ley del Mercado de Valores* (Spanish Securities Market Act), which would apply in tender offers or takeover bids.

Please note that the shareholders' agreement mentioned in section [2.4 'Shareholders' agreements'](#) contains transfer and voting restrictions on shares that are subject to it.

### Legal and regulatory restrictions on the acquisition of significant holdings

There are legal and regulatory provisions applicable to the Banco Santander because the banking activity is a regulated sector, which involves that the acquisition of significant holdings or influence is subject to regulatory approval or non-objection. As Banco Santander is a listed company, a tender offer or a takeover bid for its shares must be launched to acquire control and for other similar transactions.

The acquisition of significant ownership interests is regulated mainly by:

- Regulation (EU) 1024/2013 of the Council of 15 October 2013, conferring specific tasks on the ECB relating to the prudential supervision of credit institutions.
- Spanish Securities Market Act.

- Act 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions (articles 16 to 23) and its implementing regulation, Spanish Royal Decree 84/2015, of 13 February.

The acquisition of a significant stake in Banco Santander may also require approval by (i) other domestic and foreign regulators with supervisory powers over Banco Santander or its subsidiaries' operations, shares listings or other actions concerning such regulators or subsidiaries and (ii) other authorities pursuant to foreign investment regulations (including those imposed due to covid-19) in Spain or other countries where we operate.

### Shareholder participation at general meetings

All registered holders of shares found on record at least five days prior to the day of general meetings are entitled to attend. Banco Santander allows shareholders to exercise their rights to attend, delegate, vote and participate in general meetings using remote communications systems.

Shareholders can attend general meetings remotely. They can watch it through a live feed, vote, make remarks, propose resolutions and contact the notary public.

The electronic shareholders' forum is another communications channel available on Banco Santander's website at the time of the meeting. Shareholders can post items they propose to add to the agenda in the meeting notice, requests for support for their proposals, initiatives to reach the percentage required to exercise minority shareholder rights legally, as well as offers or requests to act as a voluntary proxy.

### Supplement to the annual general meeting notice

Shareholders representing at least 3% of share capital may request the publication of a supplement to the annual general meeting notice stating the names of shareholders exercising this right, the number of shares they hold, as well as any items to be added to the agenda with an explanation or substantiated proposal for resolutions and any other relevant documentation.

Shareholders representing at least 3% of share capital may also propose reasoned resolutions about any matters that have been, or should be, added to the agenda of a called annual general meeting.

To exercise these rights, shareholders must send a certified notice to Banco Santander's registered office within five days after the annual general meeting announcement notice is posted.

Any shareholder can also request that the meeting address non-agenda items for which the law does not require a minimum percentage of share capital for a resolution to be put to a vote (the removal of directors or bringing corporate liability action against any of them).

### Right to receive information

From the time the general meeting notice is posted until the fifth day before the general meeting date on first call, shareholders can submit written requests for information or clarification, or any written questions they deem relevant to the items on the meeting agenda. In addition, within the same period, shareholders can submit written requests for clarification about price-sensitive information Banco Santander has furnished for the CNMV since the last general meeting or about auditor's reports. Banco Santander posts any information or answers it provides on its corporate website.

Shareholders may also exercise their right to receive information at the meeting. Even if it cannot be asserted in the course of the meeting, or requests are made by shareholders attending remotely, they will be given the appropriate information in writing within seven days after the general meeting.

### Quorum and majorities for passing resolutions at general meeting

The quorum and majorities set out in our Bylaws and Rules and regulations for general meeting in order to hold a valid meeting and adopt corporate resolutions is according to Spanish law.

On first call, shareholders representing at least 25% of subscribed share capital with voting rights must be in attendance (except for certain matters mentioned subsequently). If a sufficient quorum cannot be constituted, general meetings will be held on second call, which does not require a quorum.

In accordance with our Rules and regulations for general meeting, shareholders voting by mail or electronically before the meeting are counted as present in order to determine the general meeting quorum.

With the exception of certain matters mentioned below, general meeting resolutions pass when shareholders in attendance or by proxy cast more votes in favour than against.

The quorum and majorities required to amend the Bylaws, issue shares and bonds, make structural changes and vote on other significant resolutions permitted by law are set out below. Furthermore, laws applying to credit institutions dictate that, if over 50% of the share capital is present at general meetings, a qualified two-thirds majority is required to raise the proportion of variable remuneration components to fixed components for executive directors and other top executives above 100% (up to 200%); otherwise, a three-quarters majority will be necessary.

Our Bylaws do not require shareholder approval at general meetings for any decisions about acquiring core assets, selling them off or transferring them to another company or similar corporate transactions, unless it is required by law.

### Rules for amending our Bylaws

The general meeting is the competent body to approve any amendment to the Bylaws. However, only the board can decide to change the registered office within Spain.

The board or, where appropriate, the shareholders who have drafted a proposed amendment to the Bylaws must write it out completely, in addition to a report justifying it; and provide them to shareholders at the time the meeting to debate proposed amendment is announced.

The general meeting notice must clearly state the items to be amended as well as the rights of all shareholders to examine the full text of a proposed amendment and the related report at Banco Santander's registered office, and order these documents delivered or sent to them free of charge.

If shareholders are convened to debate amendments to the Bylaws, the quorum on first call will be constituted if 50% of subscribed share capital with voting rights is present. If a sufficient quorum cannot be constituted, the general meeting will be held on second call, where 25% of subscribed share capital with voting rights must be present.

When less than 50% of subscribed share capital with voting rights are present, resolutions on amendments to the Bylaws can only be validly adopted if two-thirds of shareholders attending the meeting in person or by proxy vote for them. However, when 50% or more of subscribed share capital with voting rights is present, resolutions may validly pass with an absolute majority.

Resolutions to amend the Bylaws that involve new obligations for shareholders must be accepted by those affected.

The Single Supervisory Mechanism (SSM) must authorise us to amend our Bylaws. However, amendments that are exempt from authorization but must still be reported to the SSM include any to change the registered office within Spain, raise share capital, add imperative or prohibitive laws or regulations to the wording of the Bylaws, or change the wording in order to comply with court or administrative rulings and any others the SSM has declared exempt due to a lack of materiality in response to prior consultations.

## 3.3 Dividends and shareholder remuneration

### Distribution charged against 2021 results

ECB Recommendation of 15 December 2020, which asked banks not to pay out dividends charged against 2021 results (ECB Recommendation III), was in force for over half of 2021.

On 23 July 2021, the ECB believed the reasons underpinning ECB Recommendation III to limit dividend payouts were no longer valid and, thus, repealed it effectively on 30 September 2021.

On 28 September 2021, the board announced its 2021 shareholder remuneration policy to pay out an interim distribution from approximately 40% of the Group's underlying profit (half through a cash dividend and half through a shares buyback).

- **Interim remuneration.** Accordingly, it authorized the payment of an interim dividend of 4.85 euro cents per share (i.e. 20% of the Group's underlying profit in H1'21), in cash and charged against 2021 profits; it was paid on 2 November 2021. The board also voted to launch the First Buyback Programme worth 841 million euros (20% of the Group's underlying profit in H1'21) once the ECB approved it on 28 September 2021 (see in 'First Buyback Programme' in section [2.5](#)).
- **Final remuneration.** On 24 February 2022, within the 2021 shareholder remuneration policy, the board of directors voted to:
  - submit a resolution at the 2022 AGM to approve a final cash dividend in the gross amount of 5.15 eurocents per share, worth approximately 865 million euros (approximately 20% of the Group's underlying profit in H2 2021). If approved at the AGM, the dividend would be payable from 2 May 2022. The estimate of 865 million euros is based on the assumption that, once the Second Buyback Programme has taken place, the number of outstanding shares entitled to receiving dividends will be 16,804,353,202. Therefore, the total dividend may be higher if fewer shares than anticipated are acquired in the Second Buyback Programme; otherwise, it will be lower.
  - implement a Second Buyback Programme worth 865 million euros (approximately 20% of the Group's underlying profit in H2 2021), once the necessary regulatory authorization has been obtained. For more details on the programme, see section [2.5 'Treasury shares'](#).

If shareholders approve the dividend payout resolution and the ECB authorizes the Second Buyback Programme, it will result in a payout of approximately 40% of the Group's underlying attributable profit for 2021. If the buyback reaches the maximum within the programme period, remuneration will be split equally between cash dividends and shares buybacks. This final remuneration will enable Santander to meet the target set in the shareholder remuneration policy disclosed to the market on 28 September 2021.

### Shareholder remuneration policy for 2022 results

For the 2022 results the shareholder remuneration policy that the board intends to apply is a total remuneration of approximately of c.40% of the group's underlying profit, split in approximately equal parts between cash dividends and share buybacks, thus continuing the policy applied with respect to 2021 results.

The implementation of the shareholder remuneration policy is subject to future corporate and regulatory decisions and approvals.

## 3.4 2021 AGM

On 26 March 2021, we held our annual general meeting. In light of Covid-19, it was exclusively virtual. Because of the means shareholders were provided to attend remotely, the meeting had a quorum of 67.674%, just 0.8 percentage points below our highest-ever general meeting quorum in 2019.

### Quorum and attendance

The quorum (among shareholders present and represented) was 67.674% broken down as follows:

#### QUORUM BREAKDOWN

In person and virtual attendance	0.062 %
By proxy	
Cast by post or direct delivery	6.586 %
By electronic means	58.438 %
Remote voting	
Cast by post or direct delivery	0.547 %
By electronic means	2.041 %
<b>Total</b>	<b>67.674 %</b>



## Voting results and resolutions

All items on the agenda were approved. Votes in favour of the board's proposals averaged 98.31%. 99.57% of votes approved corporate management for 2020 and 91.59% of votes approved the 2020 annual report on directors' remuneration. None of the agenda items listed in the notice convening the meeting received more than 9.53% of votes against.

The following chart summarizes the resolutions approved and voting results:

	VOTES <sup>A</sup>				Quorum <sup>D</sup>
	For <sup>B</sup>	Against <sup>B</sup>	Blank <sup>C</sup>	Abstention <sup>C</sup>	
1. Annual accounts and corporate management					
1A. Annual accounts and directors' reports for 2020	99.74	0.26	0.04	2.96	67.67
1B. Consolidated statement of non-financial information for 2020	99.71	0.29	0.04	2.83	67.67
1C. Corporate management 2020	99.57	0.43	0.04	3.04	67.67
2. Application of results	99.46	0.54	0.04	2.84	67.67
3. Appointment, re-election or ratification of directors					
3A. Setting of the number of directors	99.64	0.36	0.05	2.87	67.67
3B. Ratification of the appointment of Gina Lorenza Díez Barroso	99.62	0.38	0.05	2.89	67.67
3C. Re-election of Homaira Akbari	99.39	0.61	0.05	2.91	67.67
3D. Re-election of Álvaro Antonio Cardoso de Souza	99.40	0.60	0.05	2.88	67.67
3E. Re-election of Javier Botín-Sanz de Sautuola y O'Shea	97.05	2.95	0.04	2.87	67.67
3F. Re-election of Ramiro Mato García-Ansorena	99.63	0.37	0.05	2.87	67.67
3G. Re-election of Bruce Carnegie-Brown	98.36	1.64	0.05	2.87	67.67
4. Re-election of the external auditor for Financial Year 2021	99.64	0.36	0.04	2.83	67.67
5. Amendment of the Bylaws					
5A. Relating to the issuance of non-convertible debentures	99.23	0.77	0.05	2.89	67.67
5B. Relating to the powers of the general shareholders' meeting (share-based compensation)	98.92	1.08	0.04	2.90	67.67
5C. Relating to the shareholders' participation at the general shareholders' meeting	99.22	0.78	0.04	2.85	67.67
5D. Relating to attending the meeting from a distance by remote means of communication	90.47	9.53	0.04	2.83	67.67
6. Amendment of the Rules and regulations of the general meeting					
6A. Relating to the powers of the shareholders at a general meeting (issuance of debentures)	99.23	0.77	0.04	2.87	67.67
6B. Relating to the powers of the shareholders at a general meeting (share-based compensation)	98.94	1.06	0.04	2.86	67.67
6C. Relating to proxy representation at a general meeting	99.64	0.36	0.04	2.86	67.67
6D. Relating to the means for distance voting	98.51	1.49	0.04	2.83	67.67
6E. Relating to publication of the resolutions approved at the general meeting	99.71	0.29	0.04	2.84	67.67
8. Delegation to the board of the power to issue all kinds of fixed-income securities, preferred interests or similar debt instruments (including warrants) that are not convertible	96.89	3.11	0.04	2.85	67.67
8. Directors' remuneration policy	93.26	6.74	0.04	2.89	67.67
9. Maximum total annual remuneration of directors in their capacity as directors	98.35	1.65	0.04	2.87	67.67
10. Maximum ratio of fixed and variable components in executive directors' total remuneration	99.33	0.67	0.04	2.86	67.50
11. Remuneration plans that include the delivery of shares or share options:					
11A. Deferred multiyear objectives variable remuneration plan	96.61	3.39	0.04	2.86	67.67
11B. Deferred conditional variable remuneration plan	97.66	2.34	0.04	2.86	67.67
11C. Digital Transformation Award	99.51	0.49	0.04	2.86	67.67
11D. Group buy-out policy	98.98	1.02	0.04	2.91	67.67
11E. Plan for employees of Santander UK Group Holdings and other companies of the Group in the UK	99.01	0.99	0.04	2.84	67.67
12. Authorization to implement the resolutions approved	99.56	0.44	0.04	2.82	67.67
13. Annual directors' remuneration report	91.59	8.41	0.04	2.88	67.67
14. Corporate action to demand director liability <sup>E</sup>	0.00	100.00	0.00	0.09	65.09
15 to 29. Dismissal and removal of directors <sup>F</sup>	0.00	100.00	0.00	0.09	65.09

A. Each Banco Santander share grants one vote.

B. Percentage of votes for and against.

C. Percentage of share capital present and attending by proxy at the 2021 AGM.

D. Percentage of Banco Santander's share capital on the date of the 2021 AGM.

E. Item not included on the agenda.

F. Items 15 to 29 (not included on the agenda) were put to a separate vote. Each item refers to the proposal to dismiss and remove each acting director at the 2021 AGM.

The full texts of the resolutions passed at the 2021 AGM can be found on our corporate website and on the CNMV's website, as they were filed as other relevant information on 26 March 2021.



### 3.5 Our next AGM in 2022

The board of directors agreed to call the 2022 AGM for 31 March on first call or on 1 April on second call, with the following proposed resolutions.

- **Annual accounts and corporate management.** For approval of:

- The annual accounts and the directors' reports of Banco Santander and its consolidated Group for the financial year ended on 31 December 2021. For more details, see ['Consolidated financial statements'](#).
- The consolidated non-financial statement for the financial year ended on 31 December 2021 that is part of this consolidated directors' report. See the ['Responsible banking'](#) chapter.
- The corporate management for the financial year 2021.
- The application of results obtained during financial year 2021. See section [3.3 'Dividends and shareholder remuneration'](#).

- **Appointment of directors.**

- Setting the number of directors at 15, within the maximum and minimum limits set in the Bylaws.
- Appointing Germán de la Fuente as independent director (see section [1.1 'Board skills and diversity'](#)) and re-electing José Antonio Álvarez, Belén Romana, Enrique de Castro, Luis Isasi and Sergio Rial for a three-year period. See section [4.1 'Our directors'](#).

- **External auditor.** Re-electing the firm PricewaterhouseCoopers Auditores, S.L. as external auditor for financial year 2022. See 'External auditor' in section [4.5](#).

- **Bylaws.** Approve certain amendments to the Bylaws to:

- Introduce refinements based on the amended Spanish Companies Act as relates to final beneficiary identification and new share transfers before a capital increase is filed with the *Registro Mercantil* (Commercial Registry).
- Round off the capital reduction rules to reflect other aims that the law allows.
- Clarify the powers of the general meeting regarding the issuance of convertible securities.
- Add technical refinements to the rules on holding general meetings.
- Allow the board of directors to designate more than one vice-secretary.
- Contemplate that executives other than the executive chair can have direct reporting lines to the board or its committees.
- Adapt the audit committee's authority regarding the management report and related-party transactions and increase its coordination with the responsible banking, sustainability and culture committee.
- Adapt the Bylaws on directors' remuneration to the recent amendments to the Spanish Companies Act.

- Add technical regulatory refinements regarding dividend payouts in forms other than cash or own funds instruments.

- **Rules and regulations of the general meeting.** Approve the amendment to the Rules and regulations of the general meeting to fully adapt the rule on remote general meeting attendance to the Bylaws; contemplate that more than one vice-secretary may be designated; and include technical refinements regarding resolutions proposed and remarks made by shareholders.

- **Authority to increase share capital.** To authorize the board of directors to increase share capital once or several times over the course of three years. See section [2.2 'Authority to increase share capital'](#).

- **Share capital reduction** for the following purposes:

- Cancelling the 259,930,273 treasury shares from the First Buyback Programme.
- Cancelling a maximum of 1.730.000.000 treasury shares purchased under the Second Buyback Programme.
- Cancelling a maximum of 1.734.064.130 treasury shares, acquired through one or more share buyback programmes or by other means legally permitted, whereby the board of directors will be authorized to cancel them on one or several occasions in a maximum timescale of one year or by the date of the next annual general meeting.

See section [2.5 'Treasury shares'](#).

- **Remuneration policy.** Approving the director remuneration policy for 2022, 2023 and 2024. For further information, see section [6.4 'Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote'](#).

- **Director remuneration.** Approving director's fixed annual remuneration. See section [6.4 'Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote'](#).

- **Variable remuneration.** Approving a maximum ratio of 200% of variable components to fixed components of total remuneration for executive directors and certain employees belonging to professional categories that have a material impact on the Group's risk profile. For more details, see section [6.4 'Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote'](#).

- **Remuneration plans for executive directors.** Approving remuneration plans for executive directors that involve the delivery of shares or share options or are share-value based. For more details, see section [6.4 'Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote'](#).

- **Annual directors' remuneration report.** Holding a non-binding vote on the annual directors' remuneration report. For more details, see section [6 'Remuneration'](#).

The related documents and information are available for consultation on our corporate website on the date the meeting notice is published. We will also broadcast our 2022 AGM live, as was done for the 2021 AGM.

Since attendance at the general meetings is not paid, a general policy in this regard is not necessary. However, Banco Santander offers shareholders that participate in our general meeting a commemorative courtesy gift, as has been tradition for decades.

## 4. Board of directors

### A balanced and diverse board

- 15 directors, including 12 non-executive and 3 executive
- Majority of independent directors (66.67%)
- Balanced presence of women and men (40%-60%)

### Effective governance

- Specialised committees advising the board
- The responsible banking, sustainability and culture committee shows the board's commitment to this matter
- Complementary functions and effective controls: executive chair, CEO and lead independent director



**Javier Botín**  
Member  
Non-executive  
director

**Álvaro Cardoso**  
Member  
Non-executive  
director  
(independent)  
★

**R Martín Chávez**  
Member  
Non-executive  
director  
(independent)  
■ ■ ■ ▲ ▲ P

**Homaira Akbari**  
Member  
Non-executive  
director  
(independent)  
● ▲ ★

**Pamela Walkden**  
Member  
Non-executive  
director  
(independent)  
● P ★

**Gina Díez**  
Member  
Non-executive  
director  
(independent)  
■

**Sergio Rial**  
Member  
Non-executive  
director

**Jaime Pérez Renovales**  
General  
secretary and  
secretary of the  
board

**Sol Daurella**  
Member  
Non-executive  
director  
(independent)  
■ ■ ★

**Luis Isasi**  
Member  
Non-executive  
director  
● ■ ▲

**José Antonio Álvarez**  
Vice chair and  
CEO  
Executive  
director  
● ▲

**Ana Botín**  
Executive  
chair  
Executive  
director  
● P ▲

**Bruce Carnegie-Brown**  
Vice chair and  
lead  
independent  
director  
Non-executive  
director  
(independent)  
● ■ P ■ P ▲

**Belén Romana**  
Member  
Non-executive  
director  
(independent)  
● ● ▲ P ▲ ★

**Henrique de Castro**  
Member  
Non-executive  
director  
(independent)  
● ■ ▲

**Ramiro Mato**  
Member  
Non-executive  
director  
(independent)  
● ● ▲ ★ P

- Executive committee
- Audit committee
- Nomination committee
- Remuneration committee

- ▲ Risk supervision, regulation and compliance committee
- ▲ Innovation and technology committee
- ★ Responsible banking, sustainability and culture committee
- P Chair of the committee

## 4.1 Our directors



**Ana  
Botín-Sanz de Sautuola y O'Shea**  
GROUP EXECUTIVE CHAIR  
*Executive director*

Ms Botín joined the board in 1989.

**Nationality:** Spanish. Born in 1960 in Santander, Spain.

**Education:** Degree in Economics from Bryn Mawr College (Pennsylvania, United States).

**Experience:** Ms Botín joined Banco Santander, S.A. after working at JP Morgan (New York, 1980-1988). In 1992, she was appointed senior executive vice-president. Between 1992 and 1998, she led Santander's expansion into Latin America. In 2002, she was appointed executive chair of Banco Español de Crédito, S.A. Between 2010 and 2014, she was chief executive officer of Santander UK plc and she has been non-executive director until April 2021. She has also been non-executive director of Santander UK Group Holdings plc (2014-2021). In 2014 she was appointed executive chair of Santander.

**Other positions of note:** Ms Botín is a member of the board of directors of The Coca-Cola Company and president of the European Banking Federation. She is also founder and chair of the CyD Foundation (which supports higher education) and the Empieza por Educar Foundation (the Spanish subsidiary of the international NGO, Teach for All), and sits on the advisory board of the Massachusetts Institute of Technology (MIT).

**Positions in other Group companies:** Ms Botín is a chair of PagoNxt, S.L, Universia España Red de Universidades, S.A. and Universia Holding, S.L; and a non-executive director of Santander Holding USA, Inc., Santander Bank, N.A.

**Membership of board committees:** Executive committee (chair), and innovation and technology committee.

**Skills and competencies:** Extensive international experience in banking, having held the highest executive roles. She has also led the transformational, strategic and cultural change of Grupo Santander. Moreover, she has shown an ongoing commitment to sustainable and inclusive growth, as demonstrated by her philanthropic activities.



**José Antonio  
Álvarez Álvarez**  
VICE CHAIR & CHIEF EXECUTIVE OFFICER  
*Executive director*

Mr Álvarez joined the board in 2015.

**Nationality:** Spanish. Born in 1960 in León, Spain.

**Education:** Degree in Economics and Business Administration. MBA from the University of Chicago.

**Experience:** José Antonio Álvarez joined Santander in 2002 and was appointed senior executive vice president of the Financial Management and Investor Relations division in 2004 (Group chief financial officer). He served as director at SAM Investments Holdings Limited, Santander Consumer Finance, S.A. and Santander Holdings US, Inc. He also sat on the supervisory boards of Santander Consumer AG, Santander Consumer Bank GmbH and Santander Bank Polska, S.A. He was a board member of Bolsas y Mercados Españoles, S.A.

**Positions in other Group companies:** Mr Álvarez is non-executive director of Banco Santander (Brasil) S.A. and PagoNxt, S.L.

**Membership of board committees:** Executive committee, and innovation and technology committee.

**Skills and competencies:** Mr Álvarez is a highly qualified and talented leader with a distinguished career in banking. He brings significant strategic and international management expertise, in particular financial planning, asset management and consumer finance. He has vast experience and an established reputation with such key stakeholders as regulators and investors.



**Bruce Carnegie-Brown**  
VICE CHAIR & LEAD INDEPENDENT DIRECTOR  
*Non-executive director (independent)*

Joined the board in 2015.

**Nationality:** British. Born in 1959 in Freetown, Sierra Leone.

**Education:** Master of Arts in English Language and Literature from the University of Oxford.

**Experience:** Mr Carnegie-Brown was non-executive chair of Moneysupermarket.com Group plc (2014-2019), non-executive director of Jardine Lloyd Thompson Group plc (2016-2017), non-executive director of Santander UK plc and of Santander UK Group Holdings plc (2019-2021) and non-executive chair of AON UK Ltd (2012-2015). He was the founder and managing partner of the quoted private equity division of 3i Group plc, and president and chief executive officer of Marsh Europe, S.A. He was also lead independent director at Close Brothers Group plc (2006-2014) and Catlin Group Ltd (2010-2014). He previously worked at JP Morgan Chase for 18 years and Bank of America for four years.

**Other positions of note:** Mr Carnegie-Brown is the non-executive chair of Lloyd's of London and of Cuvva Limited, member of the Investment Committee of Gresham House plc and chair of Marylebone Cricket Club (MCC).

**Membership of board committees:** Executive committee, nomination committee (chair), remuneration committee (chair), and innovation and technology committee.

**Skills and competencies:** Mr Carnegie-Brown has a lengthy background in banking (particularly investment banking) and considerable expertise in insurance. He also possesses significant international experience in top management positions in Europe (UK), the Middle East and Asia. His top-management insight provides the board with know-how in regard to remuneration, appointments and risk. As lead independent director, he has also gained an excellent understanding of investors' expectations, as well as managing relations with them and financial entities.



**Homaira Akbari**  
*Non-executive director (independent)*

Ms Akbari joined the board in 2016.

**Nationality:** American and French. Born in 1961 in Tehran, Iran.

**Education:** PhD in Experimental Particle Physics from Tufts University and MBA from Carnegie Mellon University.

**Experience:** Homaira Akbari was non-executive director of Gemalto NV and Veolia Environment, S.A. She was chair and CEO of SkyBitz, Inc., managing director of TruePosition Inc., non-executive director of Covisint Corporation and US Pack Logistics LLC. She has also held various posts at Microsoft Corporation and Thales Group and she was non-executive chair of WorkFusion, Inc.

**Other positions of note:** Ms Akbari is chief executive officer of AKnowledge Partners, LLC and an independent director of Landstar System, Inc. and Temenos, AG.

**Positions in other Group companies:** Ms Akbari is non-executive director of Santander Consumer USA Holdings Inc. and PagoNxt, S.L.

**Membership of board committees:** Audit committee, innovation and technology committee, and responsible banking, sustainability and culture committee.

**Skills and competencies:** Ms Akbari brings significant executive experience from technology companies. Her knowledge about digital transformation challenges is an asset to the board. She also has extensive experience in diverse regions and knowledge of water, energy and waste management and treatment, which are of particular value to the Group's sustainability policy.



**Javier  
Botín-Sanz de Sautuola y O'Shea**  
*Non-executive director*

Mr Botín joined the board in 2004.

**Nationality:** Spanish. Born in 1973 in Santander, Spain.

**Education:** Degree in Law from the Complutense University of Madrid.

**Experience:** Javier Botín founded JB Capital Markets, Sociedad de Valores, S.A.U in 2008 and has been its executive chair ever since. He was co-founder and executive director of the equities division of M&B Capital Advisers, S.V., S.A. (2000-2008). Previously, he had been a legal adviser within the International Legal Department of Banco Santander, S.A. (1998-1999).

**Other positions of note:** In addition to the financial sector, Mr Botín works with several not-for-profit organizations. He has been chair of the Botín Foundation since 2014 and is also a trustee of the Princess of Girona Foundation.

**Skills and competencies:** Mr Botín brings international and managerial expertise to the board, particularly in finance and banking. He also brings a deep understanding of Grupo Santander, its operations and its strategy from his tenure as a non-executive director.



**Álvaro  
Cardoso de Souza**  
*Non-executive director (independent)*

Mr de Souza joined the board in 2018.

**Nationality:** Portuguese. Born in 1948 in Guarda, Portugal.

**Education:** Degree in Economics and Business Administration from Pontificia Universidade Católica de São Paulo, MBA-Management Program for Executives from the University of Pittsburgh, and a graduate of the Investment Banking Marketing Program at Wharton Business School.

**Experience:** Álvaro Cardoso has held various roles in Citibank Group, including CEO of Citibank Brazil, as well as senior roles in the US relating to consumer finance, private banking and Latin America. He was a board member at AMBEV, S.A., Gol Linhas Aéreas, S.A. and Duratex, S.A. He was chair of WorldWildlife Group (WWF) Brazil, a board member at WWF International and chair and member of the audit and asset management committees of FUNBIO (Fundo Brasileiro para a Biodiversidade). In addition, he has been non-executive chair of Banco Santander (Brasil) S.A. since 2017 until 2021.

**Membership of board committees:** Responsible banking, sustainability and culture committee.

**Skills and competencies:** Mr de Souza possesses broad international experience in banking, particularly in Brazil. He has a solid understanding of strategy and risk management. In addition, his active involvement with several environmental foundations and NGOs brings with him very useful knowledge about sustainability.



**Sol  
Daurella Comadrán**  
*Non-executive director (independent)*

Ms Daurella joined the board in 2015.

**Nationality:** Spanish. Born in 1966 in Barcelona, Spain.

**Education:** Degree in Business and MBA from ESADE.

**Experience:** Sol Daurella Comadrán served on the board of the Círculo de Economía and was an independent non-executive director at Banco Sabadell, S.A., Ebro Foods, S.A. and Acciona, S.A. She has also been the honorary consul-general of Iceland in Barcelona since 1992.

**Other positions of note:** Ms Daurella is chair of Coca-Cola Europacific Partners plc and executive chair of Olive Partners S.A. She also holds several roles at Cobega Group companies and is chair of the board of trustees of the FERO Oncology Research Foundation and vice-president of Instituto de la Empresa Familiar.

**Membership of board committees:** Nomination committee, remuneration committee, and responsible banking, sustainability and culture committee.

**Skills and competencies:** Ms Daurella brings to the board excellent strategy and high-level management skills from her international top-executive experience at listed and large privately-held entities, particularly distributors. She has vast knowledge of corporate governance as the former chair of several boards. She also possesses audit experience, having served on several audit committees. In addition, as a trustee at various health, education and environmental foundations, Ms Daurella contributes responsible business and sustainability insight to the board.



**Henrique  
de Castro**  
*Non-executive director (independent)*

Joined the board in 2019.

**Nationality:** Portuguese. Born in 1965 in Lisbon, Portugal.

**Education:** Degree in Business Administration from the Lisbon School of Economics & Management (Portugal) and MBA from the University of Lausanne (Switzerland).

**Experience:** Henrique de Castro was an independent director at First Data Corporation and chief operating officer at Yahoo. Previously, he had been the manager of worldwide devices, media and platforms at Google, European sales and business development manager at Dell Inc. and a consultant at McKinsey & Company.

**Other positions of note:** Mr de Castro is an independent director of Fiserv Inc.

**Positions in other Group companies:** Mr de Castro is a non-executive director of PagoNxt, S.L.

**Membership of board committees:** Audit committee, remuneration committee, and innovation and technology committee.

**Skills and competencies:** Due to his executive roles in the world's top technology companies, Mr de Castro brings valuable experience in technological and digital strategy from a wide range of geographies.





**Gina  
Díez Barroso**  
*Non-executive director (independent)*

Ms Díez joined the board in 2020.

**Nationality:** Mexican. Born in 1955 in Mexico City, Mexico.

**Education:** Degree in Design from Centro de Diseño, Mexico City.

**Experience:** She has over 20 years' experience in the real estate and education sectors. Until April 2020, she was an independent director of Banco Santander México, S.A. and several Grupo Santander companies in Mexico. She has been member of the board of directors of Americas Society and Council of the Americas, Laurel Strategies and Qualitas of Life Foundation. She has also been a founder and a trustee of the Pro-Educación Centro and Diarq foundations.

**Other positions of note:** She is the founder and president of Grupo Diarq, S.A. de C.V. and Centro de Diseño y Comunicación, S.C. (Universidad Centro). In addition, she is a member of the board of Dalia Women, S.A.P.I de C.V. (Dalia Empower), member of Comité de 200 (C200) and represents Mexico at the W20, the G20 womens' initiative.

**Membership of board committees:** Nomination committee.

**Skills and competencies:** Ms Díez possesses vast experience in the real estate and education sectors, and has extensive knowledge of responsible business and sustainability as a result of having been a charter member and trustee of foundations focusing on education, gender diversity and social support.



**Luis  
Isasi Fernández de Bobadilla**  
*Non-executive director (\*)*

Mr Isasi joined the board in 2020.

**Nationality:** Spanish. Born in 1956 in Jerez de la Frontera, Spain.

**Education:** Degree in Economics and Business Administration and MBA from Columbia Business School.

**Experience:** With broad experience in the financial and securities market sectors, Mr Isasi began his career at Abengoa, before holding various executive positions at JP Morgan in New York and First National Bank of Chicago in London. In 1987, he joined Morgan Stanley as managing director of investment banking for Europe and, from 1997 to February 2020, held the role of chair and country head for Spain. He is now a senior adviser there. He has also been director of Madrileña Red de Gas, S.A. and Sociedad Rectora de la Bolsa de Madrid, S.A., as well as an independent director of Grifols, S.A.

**Other positions of note:** Mr Isasi is a non-executive chair of Santander España and an independent director of Compañía de Distribución Integral Logista Holdings, S.A. (Logista).

**Membership of board committees:** Executive committee, remuneration committee, and risk supervision, regulation and compliance committee.

**Skills and competencies:** Mr Isasi has vast experience in a wide range of sectors and international markets (in particular, finance and investment banking) as well as a strong institutional network within Spain.

(\*) In the opinion of nomination committee and board of directors, Mr Isasi meets the requirements to be considered independent, despite being categorized as other external based on a standard of prudence. For more information, see subsection 'Other external directors', section [4.2](#).





**Ramiro  
Mato García-Ansorena**  
*Non-executive director (independent)*

Mr Mato joined the board in 2017.

**Nationality:** Spanish. Born in 1952 in Madrid, Spain.

**Education:** Degree in Economics from the Complutense University of Madrid and graduate of Harvard Business School's Management Development Programme.

**Experience:** Ramiro Mato held several roles in Banque BNP Paribas, including chair of BNP Paribas Group in Spain. Previously, he had held several top roles in Argentaria. He sat on the board of the Spanish Banking Association (AEB, representing Banque BNP Paribas) and Bolsas y Mercados Españoles, S.A. (BME), and was a member of the board of trustees of Fundación Española de Banca para Estudios Financieros (FEBEF).

**Other positions of note:** Mr Mato is chair of Ansorena, S.A. and vice-chair of the board of trustees of Fundación Esperanza y Alegría.

**Membership of board committees:** executive committee, audit committee, risk supervision, regulation and compliance committee, and responsible banking, sustainability and culture committee (chair).

**Skills and competencies:** Mr Mato has had an extensive career in banking and capital markets. He has held senior executive and non-executive roles and brings considerable expertise in top management, audit, risk and strategy, mainly within the financial sector. He has also been active on the boards of trustees of several education foundations.



**R Martín  
Chávez Márquez**  
*Non-executive director (independent)*

Mr Chávez joined the board in 2020.

**Nationality:** American. Born in 1964 in Albuquerque, New Mexico (US).

**Education:** A.B. *magna cum laude* in Biochemical Sciences and Master of Computer Science from Harvard University. PhD in Medical Information Sciences from Stanford University.

**Experience:** Mr Chávez was Chief technology officer (CTO) and co-founder of Quorum Software Systems (1989-1993), global head of energy derivatives at Credit Suisse Financial Products (1997-2000) and CEO and co-founder of KiodeX (2000-2004). In 2005, he joined Goldman Sachs, where he was a partner from 2006 to 2019 and where he held various executive positions, including global co-head of the securities division, Chief information officer (CIO) and CFO. He was also member of the management committee from 2012 until 2019, when he left the firm. Furthermore, he has been director of PNM Resources, Inc., the International Swaps and Derivatives Association (ISDA) of The Santa Fe Opera, of Mount Sinai Genomics, Inc. DBA Sema4 and of Paige.AI, Inc., as well as member of the Harvard University Board of Overseers and member of the board of trustees of amfAR (the Foundation for AIDS Research) and of the Institute for Advanced Study of Princeton (New Jersey).

**Other positions of note:** Mr Chávez is senior executive vice-chair of Sixth Street Partners Management Company, L.P. and non-executive chair of Recursion Pharmaceuticals, Inc. He is also member of the board of trustees of the Los Angeles Philharmonic and member of the Stanford University School of Medicine Board of Fellows. Likewise, he is a senior advisor of Cambrian Biopharma, Earli, Block.one, Ketch Kloud and Abacus.AI.

**Positions in other Group companies:** Mr Chávez is a non-executive director of PagoNxt, S.L.

**Membership of board committees:** Nomination committee, remuneration committee, risk supervision, regulation and compliance committee and innovation and technology committee (chair).

**Skills and competencies:** Mr Chávez brings extensive experience in the global financial and IT sectors, which will enhance the board's digital capabilities. His membership on the governing and advisory bodies of prestigious academic institutions and healthcare entities will contribute considerable value to the Group's sustainability strategy development.



**Sergio  
Rial**

*Non-executive director (\*)*

Mr Rial joined the board in 2020.

**Nationality:** Spanish and Brazilian. Born in 1960 in Rio de Janeiro, Brazil.

**Education:** Degree in Law and Economics and postgraduate studies from the Instituto Brasileiro do Mercado de Capitais, Insead, Harvard Business School and Wharton Business School.

**Experience:** Mr Rial joined the Group as chair of the board of Banco Santander (Brasil) S.A. in 2015, a position he held until 2016, and has been serving as chief executive officer (CEO) and vice-chair of the board from 2016 to 2021. He has also been regional head for South America of the Group (2019–2021). He held various executive positions at ABN Amro group between 1982 and 2004, including CEO for Asia and member of the global ExCo. He also held various executive positions at Cargill Inc. between 2004 and 2012, including executive vice-chair, member of the board of directors and global CFO. He has also been CEO at Seara Foods and Marfrig Global Foods and a director of Mosaic Fertilizers and non-executive director of SAM Investment Holding, S.L., Banco Santander International (USA) and PagoNxt, S.L.

**Other positions of note:** Mr Rial is an independent director of Delta Airlines Inc. and non-executive chair of Ebury Partners Limited.

**Positions in other Group companies:** Mr Rial is the non-executive chair of Banco Santander (Brasil) S.A.

**Skills and competencies:** Mr Rial brings extensive executive experience in banking and finance. He also has a deep understanding of Latin American markets, especially Brazil. His previous experience in multinational groups across geographical areas and sectors increases the board's diversity and gives it a valuable perspective on environmental and social issues.



**Belén  
Romana García**

*Non-executive director (independent)*

Belén Romana joined the board in 2015.

**Nationality:** Spanish. Born in 1965 in Madrid, Spain.

**Education:** Degree in Economics and Business Administration from Universidad Autónoma de Madrid and State Economist.

**Experience:** Belén Romana was formerly senior executive vice-president of Economic Policy, director-general of the Treasury of the Spanish Ministry of Economy, and director at Banco de España and the CNMV. She was also a director at the Instituto de Crédito Oficial and other entities on behalf of the Spanish Ministry of Economy. She served as a non-executive director at Banco Español de Crédito, S.A. and as executive chair of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB).

**Other positions of note:** Non-executive director of Aviva plc, London and independent director of SIX Group AG and Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.U. Furthermore, she is co-chair of the Global Board of Trustees of the Digital Future Society and member of the advisory board of Rafael del Pino Foundation, of Inetum and of TribalData and senior advisor of Artá Capital.

**Membership of board committees:** Executive committee, audit committee, risk supervision, regulation and compliance committee (chair), innovation and technology committee, and responsible banking, sustainability and culture committee.

**Skills and competencies:** Given her background as a government economist and overall executive and non-executive experience in finance (particularly from serving on the audit committees of listed companies), Ms Romana is a recognised financial expert. Having held key positions in credit institutions and the regulatory and supervisory bodies of the financial industry and securities markets in Spain, she also provides strategic insights into banking, financial regulations and government relations in Spain and Europe.

(\*) Until 31 December 2021 as executive director. See section [4.2 'Board composition'](#).



**Pamela  
Walkden**

*Non-executive director (independent)*

Mrs Walkden joined the board in 2019.

**Nationality:** British. Born in 1960 in Worcester, England.

**Education:** Master's Degree in Economics from Cambridge University.

**Experience:** Pamela Walkden has had an extensive career in banking. She has served in a number of senior management positions at Standard Chartered Bank, including as Group Head of Human Resources, Chief Risk Officer, Group Treasurer, Group Head of Asset and Liability Management and Regional Markets, Group Head of Internal Audit, Group Head of Corporate Affairs and Group Manager of Investor Relations. In addition, she served as an independent member of the UK Prudential Regulation Authority (PRA) Regulatory Reform Panel as member of the European Banking Authority Stakeholder Group and a lay member of the Welfare and Ethics Committee of the Royal Veterinary College.

**Other positions of note:** Mrs Walkden is a member of the advisory board of JD Haspel Limited.

**Positions in other Group companies:** She is an independent non-executive director of Santander UK plc and of Santander UK Group Holdings plc.

**Membership of board committees:** Audit committee (chair) and risk supervision, regulation and compliance committee.

**Skills and competencies:** Ms Walkden is a recognised financial expert in view of her broad, international experience in banking and auditing.



**Jaime  
Pérez Renovales**

*General secretary and secretary of the board*

Jaime Pérez Renovales joined the group in 2003.

**Nationality:** Spanish. Born in 1968 in Valladolid, Spain.

**Education:** Degree in Law and Business Administration from Universidad Pontificia de Comillas (ICADE E-3) and state attorney.

**Experience:** Jaime Pérez Renovales was director of the office of the second deputy prime minister for Economic Affairs and Minister of Economy, deputy secretary to the Spanish Prime Minister, chair of the Spanish State Official Gazette and the committee for Government Reform. Previously, he had been vice general counsel and vice-secretary of the board. He was also head of Grupo Santander's legal department, general counsel and secretary of the board at Banco Español de Crédito, S.A. and deputy director of legal services at the CNMV. He is the representative of Banco Santander in the Board of Trustees the Foundation Princess of Asturias and member of the jury of the Social Sciences Awards of the Foundation and chair of the ICADE Business Club.

Mr Pérez is the secretary of all board committees.

## 4.2 Board composition

### Size

At 31 December 2021, the board of directors was made up of the 15 members whose profile and background are described in section [4.1 'Our directors'](#). The Bylaws allow it to have between 12 and 17 members.

### Composition by type of director

The composition of the board of directors is balanced between executive and non-executive directors, most of whom are independent. Each director's status has been verified by the nomination committee and submitted to the board.

### Executive directors

- Ana Botín, Group Executive Chair
- José Antonio Álvarez, Group Vice-Chair and Chief Executive Officer

Section [4.3](#) provides a more detailed description of their roles and duties under 'Group executive chair and chief executive officer'.

### Independent directors

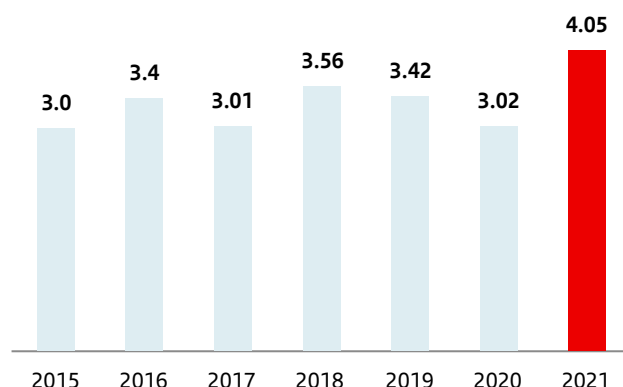
- Bruce Carnegie-Brown (lead independent director)
- Homaira Akbari
- Álvaro Cardoso
- R. Martín Chávez
- Sol Daurella
- Henrique de Castro
- Gina Díez
- Ramiro Mato
- Belén Romana
- Pamela Walkden

Every year, the nomination committee verifies the independence of the board members in this category and informs the board of its findings. It takes all pertinent circumstances into account, particularly possible significant business relations that could affect their independence. This analysis is described further in section [4.6 'Nomination committee activities in 2021'](#) and in subsection C.1.3 in section [9.2 'Statistical information on corporate governance required by the CNMV'](#).

Independent non-executive directors account for 66.7% of board members. This conforms to best corporate governance practices as well as the board's Rules and regulations, which require that the board be predominantly made up of non-executive directors with at least 50% independent directors.

At the end of 2021, the average term of independent non-executive directors was 4.05 years.

### TERM OF INDEPENDENT DIRECTORS



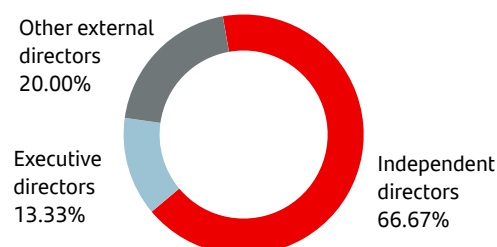
### Other external directors

- Javier Botín
- Luis Isasi
- Sergio Rial

These directors cannot be classified as independent directors for the following reasons:

- Mr Botín has been director for over 12 years.
- Mr Isasi as, although the nomination committee and the board believe that he meets the requirements to be classed as an independent director - in view of his remuneration as non-executive chair of Santander España, his entitlements as a director and the special nature of this body as supervisor of a business unit without its own corporate identity separate to Banco Santander, under prudent criteria it is considered preferable to classify him as an external director.
- Mr Rial, as a former executive director of Banco Santander as CEO of Banco Santander (Brasil) S.A. and Regional head of South America until 31 December 2021.

### OUR BOARD COMPOSITION



**TENURE AND EQUITY OWNERSHIP<sup>A</sup>**

Board of directors		Tenure			Banco Santander shareholding <sup>D</sup>				
		Date of first appointment <sup>B</sup>	Date of last appointment	End date <sup>C</sup>	Direct	Indirect	Shares represented	Total	% of share capital
Executive chair	Ana Botín	04/02/1989	03/04/2020	03/04/2023	1,395,980	29,112,074		30,508,054	0.176%
Vice chair and chief executive officer	José Antonio Álvarez	25/11/2014	12/04/2019	12/04/2022	1,984,677			1,984,677	0.011%
Vice chair	Bruce Carnegie-Brown	25/11/2014	26/03/2021	26/03/2024	59,940			59,940	0.000%
Members	Homaira Akbari	27/09/2016	26/03/2021	26/03/2024	67,826	45,913		113,739	0.001%
	Javier Botín	25/07/2004	26/03/2021	26/03/2024	5,502,083	19,468,444	154,412,223 <sup>E</sup>	179,382,750	1.034%
	Álvaro Cardoso	23/03/2018	26/03/2021	26/03/2024	0			0	0.000%
	R. Martín Chávez	27/10/2020	27/10/2020	27/10/2023	0			0	0.000%
	Sol Daurella	25/11/2014	03/04/2020	03/04/2023	149,483	476,837		626,320	0.004%
	Henrique de Castro	12/04/2019	12/04/2019	12/04/2022	2,982			2,982	0.000%
	Gina Díez	22/12/2020	22/12/2020	03/04/2023	0			0	0.000%
	Luis Isasi	03/04/2020	03/04/2020	03/04/2023	0			0	0.000%
	Ramiro Mato	28/11/2017	26/03/2021	26/03/2024	256,860			256,860	0.001%
	Sergio Rial	03/04/2020	30/05/2020	03/04/2023	236,413			236,413	0.001%
	Belén Romana	22/12/2015	12/04/2019	12/04/2022	208	4		212	0.000%
	Pamela Walkden	29/10/2019	03/04/2020	03/04/2023	2,608			2,608	0.000%
	<b>Total</b>				<b>9,659,060</b>	<b>49,103,272</b>	<b>154,412,223</b>	<b>182,666,501</b>	<b>1.052%</b>
General secretary and secretary of the board	Jaime Pérez Renobales								

A. Figures from 31 December 2021.

B. The date of first appointment referred herein may not match with the date of acceptance of the position.

C. For more details, see 'Election, renewal and succession' in section 4.2. The periods provided do not take into account the additional period that may apply under article 222 of the Spanish Companies Act nor the annual renewal of one-third of the board established in article 55.1 of the Bylaws.

D. Banco Santander's shareholding policy aims to align our executive directors and shareholders' long-term interests. It includes the obligation for each executive director to maintain a significant investment in Banco Santander's shares while performing executive duties, equivalent to twice their annual salary. Executive directors have five years from the time they were appointed to reach the required level of investment. Until they do so, any shares they receive as remuneration are subject, in addition to the regulatory obligation not to sell them for one year from delivery, which applies to all cases, to a mandatory three-year holding period from their date of delivery, unless they already hold the mentioned investment equivalent.

E. Includes shares owned by Fundación Botín (chaired by Javier Botín) and syndicated shares. It includes shares corresponding to Ana Botín that are also included within their direct or indirect shareholdings, but excluding Javier Botín's syndicated shares. In subsection A.3 of section 9.2 'Statistical information on corporate governance required by the CNMV', we adapted this information to the CNMV's format and, therefore, added all the syndicated shares as Javier Botín's shareholdings. See 2.4 'Shareholders' agreements'.

For more details, see section 9.2 'Statistical information on corporate governance required by the CNMV'.

**Diversity**

A diverse board of directors is essential to its effectiveness. The combination of skills and experiences creates an environment with varied points of view that improves the quality of decision-making. Thus, we seek to achieve a sound balance of technical skills, expertise and points of view.

Our policy on the selection, suitability assessment and succession of directors helps make our board more diverse from different perspectives, for instance, in terms of gender, age, geographical provenance, experience and knowledge. It was amended in July 2018 in line with European legislation on the disclosure of non-financial and diversity information and the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) joint guidelines on suitability assessments of board members and key functions holders.

In 2019, the new gender equality target of 40%-60% representation of either gender in the board, was included. The policy was later amended in April 2020, at the time of the general review of the succession process for directors and other executive positions, and in December 2020, after the CNMV amended the Spanish Corporate Governance Code in June 2020 to include age diversity as a factor to take into account. Banco Santander applies this policy to select candidates for any vacancy on the board.

Our selection policy aims to diversify the board of directors in different terms. In particular:

- **Country of origin or international education:** selection considers cultural diversity and international education and experience, especially in the Group's main geographies.
- **Gender equality:** the nomination committee and the board of directors understand the importance of fostering equal opportunity between men and women as well as the need for women board members who possess the necessary skill, suitability and commitment to the role. They make a conscious effort to find women candidates with the required profile. Our policy fosters a selection of directors which maintains a balanced presence of women and men on the board.

On 26 February 2019, the board changed its minority gender target, set at 30% in 2016 by the nomination committee, to a gender target in the board by 2021, which implies a minimum and maximum representation of either gender of 40% to 60%. By November 2019, the board met this target and, at year-end, women already accounted for 40% of board members.

The board's number of women members is above the average for large listed companies in Spain and Europe. According to figures published by the CNMV in May 2021, based on the annual corporate governance reports for 2020, the percentage of female directors in IBEX 35 companies in Spain was on average 31.26%. Furthermore, according to the last Gender Diversity Index Report published by European Women on Boards (an association which cooperates with the European Commission) in October 2021 the percentage of female directors in large listed companies was, on average, 35%.

- **Age:** the selection policy on the selection, suitability assessment and succession of directors also considers that selection processes must promote age diversity. There are no age limits for becoming a director or holding any role on the board, including the chair and the chief executive officer.
- **Education and career:** selection ensures that candidates are qualified and suitable to understand our Group's businesses, structure and geographies individually and collectively; and that they fit within the Santander culture. The appointment process ensures that candidates will have skills and expertise in such areas deemed important for the Group. It takes into account education and work experience. In addition to professional experience, it considers their academic education.
- Our policy has no implicit bias that could lead to discrimination due to **race, disability and/or ethnicity**.

### Board skills and diversity matrix

The board's skills matrix reflects the balance of the knowledge, skills, qualifications, diversity and experience required to design and pursue our long-term strategy in an ever-changing market.

We updated it in 2018 to make it simpler, more transparent and comprehensive. It contains more information for our investors and other stakeholders, who demand that certain skills be more visible on our board. We also took into account recommendations from the EBA and ESMA guidelines on the suitability assessment of board members and key functions holders, and also ECB Guide to fit and proper assessments. It has been further updated in October 2020 to disclose information on board's diversity in terms of age, on the back of the CNMV's approval of the revised version of the Spanish Corporate Governance Code.

This year's matrix (below) follows the structure introduced last year:

- We distinguish **thematic** and **horizontal skills**.
- We include a separate **diversity section** that details diversity in terms of gender, country of origin and/or education abroad, and age. Finally, we also show **board tenure**.

In line with last year, the skills matrix discloses each board member's skills and competence as a sign of our commitment to transparency. Section [4.1 'Our directors'](#) includes a paragraph on each director's skills and competence to more clearly substantiate the matrix.

We also include an additional chart (entitled 'Committees skills and diversity matrix') that shows the balanced diversity of skills on the board as a whole and on each board committee. That enables the board committees' overall effectiveness to be evaluated as it refers to the significant presence of the skills relevant to each committee's scope.

This year's matrix (below) shows that there are no substantial gaps with regard to the qualitative composition of the board and its committees, although we remain focused on ensuring a robust board skills diversity. In particular, the ongoing need for coverage of strategic markets for Banco Santander as well as for technology, digital strategy, banking, finance and regulatory and ethics experience and expertise remains important, as evidenced by our most recent board appointments. The appropriateness of board skills and diversity will continue to be monitored on an ongoing basis.

**BOARD SKILLS AND DIVERSITY MATRIX**

		Executive		Independent										Other external		
		Ana Botín (chair)	José Antonio Álvarez (vice chair - CEO)	Bruce Carnegie-Brown (vice chair and lead independent director)	Homaïra Akbari	R. Martín Chávez	Sol Daurella	Henrique de Castro	Álvaro Cardoso	Gina Diez Barroso	Ramiro Mato	Belén Romana	Pamela Walkden	Javier Botín	Luis Isasi	Sergio Rial
<b>SKILLS AND EXPERIENCE</b>																
<b>THEMATIC SKILLS</b>																
Banking (93.3%)		•	•	•	•	•	•		•	•	•	•	•	•	•	•
Other financial services (66.7%)		•	•	•	•					•	•	•		•	•	•
Accounting, auditing and financial literacy (100%)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Retail (86.7%)		•	•	•	•		•	•	•		•	•	•	•	•	•
Digital & information technology (53.4%)		•	•	•	•	•		•			•					•
Risk management (86.7%)		•	•	•	•	•	•		•		•	•	•	•	•	•
Business strategy (100%)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Responsible business & sustainability (80%)		•	•	•	•	•	•		•	•	•	•		•		•
Human resources, culture, talent & remuneration (93.3%)		•	•	•	•	•	•	•	•	•	•	•	•		•	•
Legal and regulatory (13.3%)						•						•				
Governance and control (86.7%)		•	•	•	•	•	•		•		•	•	•	•	•	•
International experience	Continental Europe (80%)	•	•	•	•	•	•	•			•	•		•	•	•
	US/UK (93.3%)	•	•	•	•	•	•	•	•		•	•	•	•	•	•
	Latam (73.3%)	•	•		•	•		•	•	•	•			•	•	•
	Others (46.7%)			•		•	•	•			•		•			•
<b>HORIZONTAL SKILLS</b>																
Top management (100%)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Government, regulatory and public policy (6.7%)												•				
Academia and education (46.7%)		•		•	•	•	•			•	•					
Significant directorship tenure (86.7%)		•	•	•	•		•	•	•	•	•	•		•	•	•
<b>DIVERSITY</b>																
Female (40%)		•			•		•			•		•	•			
Country of origin / international education	Continental Europe (60%)	•	•				•	•			•	•		•	•	•
	US/UK (80%)	•	•	•	•	•			•	•	•	•	•		•	•
	Latam (20%)								•	•						•
	Others (6.7%)				•											
Age (years old)	Less than 55 (6.7%)													•		
	From 55 to 65 (73.3%)	•	•	•	•	•	•	•				•	•		•	•
	More than 65 (20%)								•	•	•					
<b>BOARD TENURE</b>																
0 to 3 years (46.7%)						•		•	•	•			•		•	•
4 to 11 years (40%)			•	•	•		•				•	•				
12 years or more (13.3%)		•												•		



**COMMITTEES SKILLS AND DIVERSITY MATRIX**

		Executive committee	Audit committee	Nomination committee	Remuneration committee	Risk supervision, regulation and compliance committee	Innovation and technology committee	Responsible banking, sustainability and culture committee
<b>SKILLS AND EXPERIENCE</b>								
<b>THEMATIC SKILLS</b>								
Banking		100%	80%	100%	80%	100%	85.7%	100%
Other financial services		100%	60%	50%	40%	60%	71.4%	60%
Accounting, auditing and financial literacy		100%	100%	100%	100%	100%	100%	100%
Retail		100%	100%	50%	80%	80%	85,7	100%
Digital and information technology		66.7%	60%	50%	60%	40%	85.7%	40%
Risk management		100%	80%	75%	80%	100%	85.7%	100%
Business strategy		100%	100%	100%	100%	100%	100%	100%
Responsible business and sustainability		83.3%	60%	100%	60%	60%	85.7%	100%
Human resources, culture, talent and remuneration		100%	100%	100%	100%	100%	100%	100%
Legal and regulatory		16.7%	20%	25%	20%	40%	28.6%	20%
Governance and control		100%	80%	75%	80%	100%	85.7%	100%
International experience	Continental Europe	100%	80%	75%	100%	80%	100%	80%
	US/UK	100%	100%	75%	100%	100%	100%	100%
	LatAm	66.7%	60%	50%	60%	60%	71.4%	60%
	Others	33.3%	60%	75%	80%	60%	42.9%	40%
<b>HORIZONTAL SKILLS</b>								
Top management		100%	100%	100%	100%	100%	100%	100%
Government, regulatory and public policy		16.7%	20%	–	–	20%	14.3%	20%
Academia and education		50%	40%	100%	60%	40%	57.1%	60%
Significant directorship tenure		100%	80%	75%	80%	60%	85.7%	100%
<b>DIVERSITY</b>								
Female		33.3%	60%	50%	20%	40%	42.9%	60%
Country of origin / international education	Continental Europe	83.3%	60%	25%	60%	60%	57.1%	60%
	US/UK	100%	80%	75%	60%	100%	85.7%	80%
	Latam	–	–	25%	–	–	–	20%
	Others	–	20%	–	–	–	14.3%	20%
Age (years old)	Less than 55	–	–	–	–	–	–	–
	From 55 to 65	83.3%	80%	75%	100%	80%	100%	60%
	More than 65	16.7%	20%	25%	–	20%	–	40%
<b>BOARD TENURE</b>								
0 to 3 years		16.7%	40%	50%	60%	60%	28.6%	20%
4 to 11 years		66.7%	60%	50%	40%	40%	57.1%	80%
12 years or more		16.7%	–	–	–	–	14.3%	–

## Election, renewal and succession of directors

### Election of directors

Our directors are appointed for three-year terms. However, one-third of board members are renewed each year in order of their tenure, based on when they were appointed. Outgoing directors may be re-elected. Each appointment, re-election and ratification is submitted to a separate vote at the general meeting.

### Procedures for appointing, re-electing, evaluating and removing directors

Our internal policy for the selection, suitability assessment and succession of directors dictates standards for the board's quantitative and qualitative composition, how it is revised and how new candidates are identified, selected and appointed.

Shareholders appoint and re-elect directors at the general meeting. If directors step down during the term of office, the board of directors may provisionally designate another director by co-option until the general meeting confirms or revokes the appointment at the earliest subsequent meeting.

The nomination committee must issue a report and a reasoned opinion in advance of any proposal the board will make to shareholders to appoint, re-elect and ratify any category of director, as well as in advance of any board resolution about co-option.

Proposals must include a duly substantiated report prepared by the board containing an assessment of the qualifications, experience and merits of the proposed candidate. Re-election and ratification proposals will provide an assessment of the work and dedication to the position during the last period in which the proposed director held office. If the board disregards the nomination committee's opinion, it must explain its decision and record its reasons in meeting minutes.

Directors must meet specific requirements dictated by laws for credit institutions and our Bylaws. Upon taking office, they must formally undertake to fulfil the obligations and duties prescribed therein and in the Rules and regulations of the board.

Our directors must be of renowned business and professional integrity, and have the knowledge and experience needed to perform their role and exercise good governance. Director candidates will also be selected on the basis of their professional contribution to the entire board.

For more details, see section [4.1 'Our directors'](#) and the 'Board skills and diversity matrix' in section [4.2](#).

The board of directors will endeavour to have significantly more external or non-executive directors than executive directors, and for the number of independent directors to make up at least half of all members.

Our directors shall cease to hold office when the term for which they were appointed ends (unless they are re-elected); when the general meeting so resolves; or when they resign. When a director ceases to hold office prior to the end of his or her term (i.e. by general meeting resolution or by resignation), the director shall sufficiently explain the reasons for the resignation or, in the event of non-executive directors, their opinion on the reasons for their cessation in office by the general meeting in a letter to the other board members. In addition, when appropriate, Banco Santander will publicly disclose the cessation in office, including sufficient information on the director's reasons or circumstances provided by the director.

Directors must tender their resignation to the board and formally step down from their position if the board, on recommendation of the nomination committee, deems it appropriate in cases that may adversely affect the board's functioning or Banco Santander's credibility or reputation. In particular, they must resign if they find themselves in a circumstance of ineligibility or prohibition provided by law, irrespective of Royal Decree 84/2015, which implements Act 10/2014 on the organization, supervision and solvency of credit institutions, and on the honourability requirements for directors and the consequences of directors who subsequently fail to meet them.

Directors must notify the board, as soon as possible, of any circumstances affecting them (whether or not they are related to their performance in Banco Santander) that might damage Santander's credibility or reputation, especially when under criminal investigation; and of the developments of any criminal proceedings. When the board is informed, or becomes aware in another way, of any such situations, it will examine them as soon as possible and, based on the particulars, will decide, following a report from the nomination committee, any measures to adopt, such as opening an internal investigation, calling on directors to resign or proposing their dismissal.

Proprietary non-executive directors must also tender their resignation when the shareholder they represent sells off or significantly reduces its equity holding.

### Succession planning

Succession planning is a key element of our good governance as it ensures orderly role transitions, as well as board continuity and stability and its adequate refreshment and independence. It is a yearly cycle with a well-defined methodology and timelines, and a clear allocation of responsibilities. Our aim is to boost diverse talent pipelines across functions.

Santander's policy on director selection, suitability assessment and succession focuses on:

- Quantitative and qualitative board and committee composition criteria that are set by the Bylaws, the Rules and regulations of the board of directors and the board itself and include suitability and diversity standards and targets.
- A periodic review of the quantitative and qualitative composition of the board of directors and its committees that includes an overall suitability assessment of the board.
- Identification of potential candidates to join the board of directors.
- A robust board member selection, suitability and nomination process.

This policy has specific core performance indicators, reviewed each year, for such aspects as succession effectiveness (replacements fulfilled by identified candidates); the number of internal and external candidates immediately available to succeed executive directors; training and development plans for potential candidates to succeed executive directors in one to three years; gender diversity and country of origin or international education; updated board member tenure; the strength of the list of successors to executive directors, committee chairs and the lead independent director; and

the percentage of candidates to succeed directors who are immediately available (or candidates for a one-to-three year period).

The nomination committee and the board prioritize member succession planning, with sound and appropriate plans in place that are regularly revisited. Given the importance that the Group places in succession planning, in 2020 an external opinion was sought in relation to our succession policy and associated succession processes concluding that our succession arrangements and framework meet regulatory requirements and align with industry best practice.

### 4.3 Board functioning and effectiveness

#### The board is the highest decision-making body and focuses on supervision

Banco Santander's board of directors is our highest decision-making body, except in matters reserved to shareholders at the general meeting. It performs its duties with unity of purpose and independent judgement.

The board's policy is to designate executive bodies and managers to run Group's day-to-day operations and apply its strategy. It focuses on general supervision and other functions it cannot delegate by law, under the Bylaws and the Rules and regulations of the board, including:

- General policies and strategies (including capital and liquidity, new products, operations and services; culture and values including policies on responsible business and sustainability, in particular, on environmental and social matters; risk control; remuneration policy; and compliance).
- Financial and non-financial reporting, and information reported to shareholders, investors and the general public, as well as the processes and controls that ensure full disclosure.
- Policies on reporting and communication with shareholders, markets and public opinion, and supervision of the disclosure of information and communications about Group.
- Internal audit plan.
- Selection, succession and remuneration of directors, senior management and other key positions.
- Effectiveness of the group's corporate and internal governance system.
- Significant corporate transactions and investments.
- Calling the general shareholders' meeting.
- Governance-related matters in general (including the approval of non-delegable related-party transactions, which are not subject to the general meeting's authority).
- Banco Santander and Group's corporate and internal governance, including the GSGM, corporate frameworks and internal regulations.

#### Structure of the board

The board's governance structure ensures that it discharges its duties effectively. This section provides further details about this structure, which can be split into four dimensions:

- **Group executive chair and chief executive officer**, who are the most senior executives in the Group's strategic and ordinary management, which the board is responsible for overseeing, ensuring that their roles are clearly separated and complementary. The respective roles and responsibilities have been updated as at the date of this report. Further details are shown below.
- **A lead independent director** who is responsible for coordinating non-executive directors effectively and making sure they serve as an appropriate counter- balance to executive directors.
- **A board committee structure**, which supports the board in:
  - Managing Group by exercising decision-making powers in the executive committee.
  - Formulating strategy for core areas in the responsible banking, sustainability and culture committee, and in the innovation and technology committee.
  - In supervision and taking important decisions the audit, nomination, remuneration and risk supervision, regulation and compliance committees.
- **A board secretary**, who supports the board, its committees and our chair, and is also general secretary of the Group.

#### Rules and regulations of the board

The board is governed by the rules set out in the Bylaws and the Rules and regulations of the board, both of which are available at our corporate website.

- **Bylaws.** Dictate the basic rules that apply to the composition and operation of the board and its members' duties and are supplemented and implemented by the Rules and regulations of the board. They can be amended only by the general meeting. See 'Rules for amending our Bylaws' in section [3.2](#).
- **Rules and regulations of the board.** Set the rules for running and internally organizing the board of directors and its committees through the development of applicable laws and Bylaws' provisions. They set out the principles governing the actions of the board and its committees and the duties of its members.

In 2021 the board amended its Rules and regulations on two occasions:

On 27 April, to allow the possibility to appoint more than one vice-secretary of the board to assist with the duties of the secretary of the board and, where appropriate, to replace him in the event of absence, inability to act or illness. This possibility was subject to the Bylaws so providing, so their amendment will be proposed for approval at the next 2022 AGM. See section [3.5 'Our next AGM in 2022'](#).

On 27 July, to adapt them to, and ensure their consistency with Act 5/2021 and to make technical improvements and other minor changes. The main amendments adapting to Act 5/2021 were to:

- In relation to the approval and oversight of related-party transactions:
  - Introduce the delegation of the board's power to approve related-party transactions and an internal reporting and regular control procedure for any transactions that it has delegated its power to approve.

- Lay out the audit committee's report about related-party transactions that will be subject to approval at the general meeting or by the board, as well as its duties in overseeing the procedure for reporting on, and regularly controlling, any transactions the board has delegated.
- Align the internal rules for related-party transactions to the new legal provisions.
- In relation to the directors' remuneration scheme:
  - Adapt the rules on approval, entry into force and maximum duration of the directors' remuneration policy to the new legal provisions.
  - Amend the minimum content of the remuneration policy to the Spanish Companies Act.
  - Clarify that, if the annual remunerations report is rejected at the general meeting, the policy in force can only apply until the next annual general meeting.

Lastly, on 24 February 2022 the board changed its Rules and regulations to introduce fundamentally technical amendments and:

- Acknowledge that the board may establish that executives other than the chair report directly to the board or its committees. In this connection, on 24 February 2022 the board established that the chief executive officer will report exclusively to the board in line with governance best practice as further described below.

### Group executive chair and chief executive officer

Our executive chair is Ana Botín and our chief executive officer is José Antonio Álvarez. Their respective roles and responsibilities were updated as at the date of this report in order to accelerate the execution of the Group's strategy and operations and to align with governance best practices.

The roles of our Group executive chair and chief executive officer are clearly separated, and can be summarized as follows:

#### ROLES OF THE EXECUTIVE CHAIR AND THE CHIEF EXECUTIVE OFFICER

##### Executive chair

- The chair is the highest-ranking executive in Grupo Santander and its main representative with regulators, authorities and other major stakeholders.
- The chair is responsible for the long-term strategy of the Group, including new tech digital growth engines, namely PagoNxt and the Digital Consumer Bank.
- The chair is also responsible for other corporate functions and units that help drive the Group's long-term strategy and transformation, comprising Technology and Data & Architecture, Human Resources (including Talent), Financial Accounting & Control, Strategy and Corporate Development, General Secretariat and Communications & Corporate Marketing.
- Risk, Compliance and Internal Audit functions have free and unfettered access to the board and its committees in order to preserve their full independence, without prejudice to the regular reporting lines to the chair and chief executive officer of the CAE and CRO.
- The chair also leads the appointment and succession planning of the senior management of Santander Group, to be submitted for approval to the nomination committee and board.

##### Chief executive officer

- The chief executive officer is entrusted with the day-to-day management of the business with the highest executive functions and exclusively reports to the board in this regard.
- Accordingly, the chief executive officer's direct reports are the senior managers in charge of the business units such as the regional heads (Europe, North America and South America) and those in charge of the global businesses (Wealth Management & Insurance, Corporate & Investment Banking, Cards & Digital Solutions), encompassing the relevant support & control functions.
- As responsible for day-to-day management, the CFO and Investment Platforms & Corporate Investments also report to the CEO.
- Additionally, the chief executive officer is responsible for Regulatory & Supervisory Relations and for embedding the sustainability policy of the Group in the day-to-day management of Group businesses and the support & control functions.

- Bolster coordination mechanisms between the audit and the responsible banking, sustainability and culture committees.
- Coordinate the wording of the Rules and regulations with the wording of the Bylaws provisions which amendment is proposed to the 2022 AGM.

The Rules and regulations of the board adhere to all legal requirements as well as the principles set out in the Spanish Corporate Governance Code, revised in June 2020; Corporate Governance Principles for Banks of the Basel Committee on Banking Supervision of July 2015; and the guidelines established by the EBA in Guidelines on internal governance that came into force on 31 December 2021.

Our rules on the audit committee also adhere to the recommendations and good operating practices established in Technical Guide 3/2017 of the CNMV, on Audit Committees of Public Interest Entities. It also complies with the US regulations because our shares are listed as ADS on the NYSE, in particular, with Rule 10A-3 under the Securities Exchange Act (SEA) on standards relating to audit committees pursuant to the Sarbanes-Oxley act of 2002 (SOX).

Our rules on the nomination and the remuneration committees also adhere to the recommendations and good operating practices set out in the CNMV's Technical Guide 1/2019 on Nomination and Remuneration Committees.

The duties of the group executive chair, the chief executive officer, the board, and its committees are clearly separated. Various checks

and balances properly balance Grupo Santander's corporate governance structure. In particular:

- The board and its committees supervise both the group executive chair and the chief executive officer.
- The board of directors has delegated all its powers to the executive chair and the chief executive officer, except for those that cannot be delegated by law and under the Bylaws and the Rules and regulations of the board. The board directly exercises those powers to perform its general supervisory function.
- The lead independent director leads the group executive chair's succession and appointment.
- The audit committee is chaired by an independent director who is considered a 'financial expert' as defined in Regulation S-K of the Securities and Exchange Commission (SEC).
- The group executive chair may not simultaneously act as Banco Santander's chief executive officer.
- The corporate risk, compliance and internal audit functions report as independent units to a committee or a member of the board of directors, and have direct, unfettered access to the board.

### Lead independent director

The role of the lead independent director is key to our governance and makes sure that non-executive directors serve as an appropriate counter-balance to the executive directors.

The following chart illustrates the functions and their application of the lead independent director in 2021:

### DUTIES OF THE LEAD INDEPENDENT DIRECTOR AND ACTIVITIES DURING 2021

Duties	Activities in 2021
Facilitate discussion and open dialogue among independent directors, including coordinating private meetings of non-executive directors without the executive present; and proactively engage with them to consider their views and opinions.	Held eight meetings with non-executive directors without executive directors present, where they were able to voice views and opinions. The meetings were also a valuable opportunity to discuss other matters such as, among others, board training topics, executive director and key management performance; reflections on areas for continuous improvement with regard to the operation of the board and its committees; and progress with externally facilitated Governance and Effectiveness reviews.
Direct the periodic evaluation of the chair of the board of directors and coordinate her succession plan.	Led the annual evaluation of the chair in order to determine her variable pay. Furthermore, played a key coordination role with regard to ongoing succession planning activity, as additionally facilitated through his chairmanship of the nomination committee.
Engagement with shareholders and other investors with the purpose of gathering information on their concerns, in particular, with regard to Banco Santander's corporate governance.	See section <a href="#">3.1 'Shareholder communication and engagement'</a> for full details of the lead independent director's activities.
Replace the chair in the event of absence with key rights such as the ability to call board meetings under the terms set down in the Rules and regulations of the board.	Although lead independent director did not have to replace the chair of the board in any board meetings he remained fully committed with its proper functioning.
Request that a meeting of the board of directors be called or that new items be added to the agenda for a meeting of the board.	While the lead independent director did not need to request additional board meetings to be called, he remained fully engaged and informed on board meeting agendas and encouraged constructive challenge on the same.

The board currently has seven committees and one international advisory board with the following characteristics:

	Mandatory committees (required by Law, under Bylaws or under the Rules and regulations of the board)			Voluntary committees
	Decision-making powers	Supervision, information advice and recommendations regarding functions in risk, financial reporting and audit, nomination and remuneration matters		Support and proposal in strategic areas
Board committees	Executive committee	Audit committee	Nomination committee	Responsible banking, sustainability and culture committee
		Risk supervision, regulation and compliance committee	Remuneration committee	Innovation and technology committee
External advisory board				International advisory board (members are non-directors)

## Secretary of the board

Jaime Pérez Renovales is the secretary of the board. He assists the chair and ensures the formal and substantial legality of all the board's actions. He also makes sure good governance recommendations and procedures are observed and regularly reviewed.

The board's secretary is also general secretary of Banco Santander. He acts as the secretary of all board committees and thus facilitates a fluid and effective relationship between the committees and the different units of the Group that must collaborate with them. It is not necessary to be a director to be secretary.

The nomination committee must issue an opinion before submitting proposals to appoint or remove the secretary to the board.

The board has three vice-secretaries. They assist the secretary with his duties on the board and its committees, and replace him in the event of absence, inability to act or illness. In April 2021, the board of directors appointed F. Javier Illescas Fernández-Bermejo (head of Group Corporate Legal), Julia Bayón Pedraza (head of Group Business Legal) and Adolfo Díaz-Ambrona Moreno (general secretary of Santander España) as vice-secretaries, replacing Óscar García Maceiras (who left the Group in March).

## Board meetings

The board of directors held 15 meetings in 2021, including 13 ordinary meetings and 2 extraordinary meetings. The Rules and regulations of the board dictate that it must hold at least nine annual ordinary meetings and one quarterly meeting.

Although board meetings follow an annually set calendar and a provisional agenda of items to discuss, new items can be added to the agenda and additional meetings can be called in accordance with new business needs. Directors may also propose items to be added to the agenda and are duly informed of changes to the calendar and meeting agendas.

The board also keeps a formal list of matters only it can address. It prepares a plan to distribute them among the ordinary meetings scheduled in the provisional calendar it has approved.

Directors are given relevant documents sufficiently in advance of each meeting of the board. This information sent to them via secure electronic means is specifically for preparing meetings and, in the board's opinion, it is thorough and sent sufficiently in advance.

The Rules and regulations of the board of directors also expressly recognise directors' right to request and obtain information on anything related to Banco Santander and its domestic and foreign subsidiaries. They also recognise their right to inspect the books, files, documents and any other records of corporate transactions, in addition to premises and facilities. Furthermore, directors can request and obtain any information and advice they deem necessary from the secretary in order to perform their duties.

The board meets at the chair's discretion or at the request of at least three directors.

The lead independent director is also authorised to request a board meeting or that new items be added to the agenda for a meeting that has already been called.

Directors must attend meetings in person and make sure to limit absences to cases of absolute necessity. The nomination committee

checks that no less than 75% of directors attend board and committee meetings. For further information, see 'Board and committee attendance' in this section [4.3](#).

If directors are unable to be present at meeting, they can designate another director as their special proxy for each meeting in writing to act on their behalf. Proxies are granted with instructions. Non-executive directors may only be represented by other non-executive directors. One director can hold more than one proxy.

The board may meet in various rooms at the same time, provided that interactivity and communication among them in real time can be secured by audio-visual means or by telephone to hold the meeting concurrently.

Board meetings are validly quorate when more than half of its members attend in person or by proxy.

Resolutions are adopted by absolute majority of directors in attendance. The chair has the casting vote in the event of a tie. The Bylaws and the Rules and regulations of the board only require qualified majorities according to the law.

The board secretary keeps the board's documents on file. He records the content of meetings in meeting minutes. Meeting minutes of the board and committees include statements members expressly request to be put on record.

The board may hire legal, accounting or financial advisers and other experts at Banco Santander's expense for assistance with their duties.

The board should encourage communication between its committees, especially the risk supervision, regulation and compliance committee and the audit committee. It should also promote dialogue between the risk supervision, regulation and compliance committee and the remuneration committee and the responsible banking, sustainability and culture committee, given the relevance of their respective work with each other.

Some committees hold joint meetings throughout the year. Although they cannot vote, any director can attend and participate in meetings of committees on which they do not serve if invited by the chair of the board and the chair of the respective committee, after having asked the chair of the board. Furthermore, all board members who are not executive committee members may attend executive committee meetings at least twice a year, for which they are to be called by the chair.

### COMPARISON OF NUMBER OF MEETINGS HELD<sup>A</sup>

	Santander	Average Spain	US average	UK average
Board	15	12.8	9.4	11.6
Executive committee	40	10.7	—	—
Audit committee	14	8.8	8.4	5.5
Nomination committee	12	7	4.7	4.3
Remuneration committee	12	7	6.2	5.5
Risk supervision, regulation and compliance committee	6	NA	NA	NA

Source: Spencer Stuart Board Index 2021 (Spain, United States and United Kingdom).

NA: Not available.



The following chart shows the board's approximate time allocation to each function in 2021.

#### APPROXIMATE ALLOCATION OF THE BOARD'S TIME IN 2021



#### Committee meetings

Board committees follow a meetings calendar that includes at least four meetings (except for the innovation and technology committee, which holds at least three meetings) and an annual work plan established yearly. Each committee meets as often as is required to fulfil its duties.

Committee meetings will be quorate if more than half of committee members are present in person or by proxy. Committee resolutions pass with a simple majority of votes. In the event of a tie, the committee chair has the casting vote. Committee members may grant a proxy to another member; however, non-executive directors can only be represented by other non-executive directors.

Committee members are given relevant documents sufficiently in advance of each meeting to ensure effectiveness.

Committees have the authority to summon executives, who will appear at meetings at the invitation and under the terms dictated by the chair. Furthermore, committees may also submit a request to the general secretary to hire legal, accounting or financial advisers or other experts to assist with their duties at Banco Santander's expense.

The role of committee secretary is non-voting and falls on the general secretary and secretary of the board. This fosters a fluid and efficient relationship with the units that must work with, and report to, committees.

Committee chairs report on committees' meetings and activities at all board meetings. Furthermore, all board members are given a copy of committees' meeting minutes and all documents provided for meetings.

#### Board and committee attendance

The table below shows the attendance rate of board and committee meetings.

#### ATTENDANCE TO THE BOARD AND COMMITTEE MEETINGS IN 2021

Directors	Committees							
	Board	Executive	Audit	Nomination	Remuneration	Risk supervision, regulation and compliance	Innovation and technology	Responsible banking, sustainability and culture
Average attendance	99%	94%	100%	97%	98%	96%	96%	100%
Individual attendance								
Ana Botín	15/15	39/40	–	–	–	–	4/4	–
José Antonio Álvarez	15/15	40/40	–	–	–	–	4/4	–
Bruce Carnegie-Brown	15/15	32/40	–	12/12	12/12	–	3/4	–
Homaira Akbari	15/15	–	14/14	–	–	–	4/4	6/6
Javier Botín	15/15	–	–	–	–	–	–	–
Álvaro Cardoso <sup>A</sup>	13/15	–	–	–	–	4/4	–	6/6
R Martín Chávez	14/15	–	–	11/12	11/12	15/16	4/4	–
Sol Daurella	15/15	–	–	12/12	12/12	–	–	6/6
Henrique de Castro	15/15	–	14/14	–	12/12	–	4/4	–
Gina Díez <sup>B</sup>	15/15	–	–	–	–	–	–	–
Luis Isasi	15/15	39/40	–	–	12/12	15/16	–	–
Ramiro Mato	15/15	40/40	14/14	–	–	16/16	–	6/6
Sergio Rial	15/15	–	–	–	–	–	–	–
Belén Romana <sup>C</sup>	15/15	35/40	14/14	–	–	16/16	4/4	6/6
Pamela Walkden <sup>D</sup>	15/15	–	14/14	–	–	10/11	–	–

Note: The table details directors' attendance whenever they personally attended meetings of the board or its committees. For this purpose, absent directors who were represented are not counted among attendees. The nomination committee was informed of, and declared its satisfaction with, directors' reasons for not being present.

A. Stepped down as chair and member of the risk supervision, regulation and compliance committee on 1 April 2021.

B. Member of the nomination committee since 22 December 2021.

C. Appointed chair of the risk supervision, regulation and compliance committee on 1 April 2021.

D. Member of the risk supervision, regulation and compliance committee since 1 of May 2021.



This table shows the average dedication of our directors to the board and committees:

#### AVERAGE DEDICATION OF DIRECTORS TO THE BOARD AND COMMITTEES

	Meetings per year	Average of hours per member <sup>A</sup>	Average of hours per chair <sup>A</sup>
Board	15	156 <sup>B</sup>	312 <sup>B</sup>
Executive committee	40	200	400
Audit committee	14	140	280
Nomination committee	12	48	96
Remuneration committee	12	48	96
Risk supervision, regulation and compliance committee	16	160	320
Responsible banking, sustainability and culture committee	6	30	60
Innovation and technology committee	4	16	32

A. Includes hours of meeting preparation and attendance.

B. Of the 13 ordinary meetings held.

On average, each director dedicated approximately 58 days per year to their role (including their participation in committees), and 5 days to each board meeting, working 8 hours daily.

Directors must report any professional activity or post for which they will be nominated to the nomination committee so it can assess the time commitment to the group and check for possible conflicts of interest.

The annual suitability reassessment our nomination committee conducts every year (see in section [4.6 'Nomination committee activities in 2021'](#)) allows us to keep all information on the estimated time dedicated by directors to other roles and/or professional activities up to date and confirm their capacity to exercise good governance as directors of Banco Santander. Therefore, any necessary travel time taken to attend in-person board meetings is considered for reference purposes.

Overall, Banco Santander is able to verify compliance with the maximum number of company boards on which the law allows our directors to serve at once (i.e., up to one executive and two non-executive roles, or four non-executive roles; roles in the same group are considered a single role and roles in not-for-profit or non-commercial organizations are not included).

#### Director training and induction programmes

The board promotes its directors' continued training through an annual board training programme. Its contents are chosen by the board based on its performance reviews as well as technological, risk management and regulatory issues.

In 2021, programme workshops (held, as usual, after board meetings) addressed these topics:

- Regulatory compliance regarding conflicts of interest, market abuse, competitors and other types of risk.

- Risk Appetite Statement annual review covering material risks, calibration of limits and implementation across the Group and future enhancements proposed for 2022.
- Credit risk management regarding provisions calculations (e.g. covid-19 overlay, scenarios and impacts, and management of vulnerable industries).
- The transition from the IBOR to alternative benchmark rates as well as identification of key risks (especially legal, business, financial and accounting risks).
- Regulatory requirements regarding financial crime and best practice guidance (including anti money laundering and sanctions).
- The building and measurement of risk regulatory models.
- New special situations and resolution framework and governance bodies' roles and responsibilities in special situations.
- Cloud migration, system changes and expectations for 2022.

In addition, the board has sound induction and development programmes so new directors can better understand Santander's business and governance rules. They normally run for six to twelve months from the time the board appoints a new director. They involve key group managers who provide detailed information on their areas of responsibility, and address the special needs found in a director's suitability assessment.

In 2021, these directors completed induction programmes with additional areas of focus:

- R Martín Chávez, who attended specific deep-dive workshops on the Single Supervisory Mechanism (SSM) and on Spain's regulatory framework because he had developed his career in the US. Mr Chávez's induction plan ended in January 2021.
- Gina Díez, who attended additional deep-dive workshops on and on the Single Supervisory Mechanism (SSM) and regulatory framework because she had developed her career in Mexico. Also, she received additional training in auditing, accounting and financial risk management. Ms Díez's induction plan ended in July 2021.

Those programmes were tailored to their experience and particular induction needs found in their suitability assessments

#### Board assessment in 2021

The board undergoes a yearly assessment of its performance and effectiveness, composition, quality of its work and individual performance of its members. The assessment includes its committees and is conducted at least every three years by an external independent consultant, whose independence is assessed by the nomination committee. In 2020, the assessment was conducted by an external independent expert and complemented by a wider external review of our governance arrangements in 2021, with the aim of assessing its overall functioning and adherence to regulations, supervisors' expectations, and industry best practice. In addition to the above-mentioned structured reviews, we conducted an internally facilitated review of the effectiveness of our board practices. For more details, see 'Board assessment and actions to continuously improve its functioning' in section [1.2](#).

The resultant actions and associated outcomes of the reviews have been the subject of further work in 2021 and have supported our continued priority focus on effective governance.

## 4.4 Executive committee activities in 2021

### Composition

Position		Category	Appointed on
Chair	Ana Botín	Executive	11/12/1989 <sup>A</sup>
	José Antonio Álvarez	Executive	03/01/2015
	Bruce Carnegie-Brown	Independent	12/02/2015
Members	Luis Isasi	Other external	20/05/2020
	Ramiro Mato	Independent	28/11/2017
	Belén Romana	Independent	01/07/2018
Secretary	Jaime Pérez Renovales		

A. Committee chair since 10 September 2014.

### Functions

The executive committee is a key governance body in Banco Santander and the Group. The board delegated to it all its powers except those that cannot be delegated by the law or under the Bylaws and Rules and regulations of the board. The executive committee generally meets once a week to ensure key decision-making in a timely and efficient manner, so the board can focus on general supervision. It regularly reports to the board on its core matters, providing all directors with the minutes and documents from its meetings.

### Committee performance

The board, supported by its nomination committee, sets the executive committee's size and qualitative composition, focused on overall effectiveness while keeping with the board composition guidelines. Although the executive committee does not exactly mirror the qualitative composition of the board of directors, it is consistent with an external director majority, including three independent directors. This composition ensures a balance of opinions as well as internal and external perspectives. It also complies with Recommendation 37 of the Spanish Corporate Governance Code, which recommends to have at least two non-executive directors, including one independent director. The secretary of the board is also the secretary of the executive committee.

The executive committee can meet as many times as its chair convenes it, however, it generally meets once a week.

### Main activities in 2021

In 2021, the executive committee addressed a breadth of matters relating to the business of the Group and its main subsidiaries, risk management, corporate transactions and main proposals subsequently submitted to the board of directors.

The key topics covered in the year were:

- **Results:** The committee was kept up to date on the Group's results and their impact on investors and analysts.
- **Business performance:** The committee was kept continuously and fully informed of the performance of the Group's business areas, through management reporting or reports on specific matters.
- **Information reported by the chair:** The board's chair, who also chairs the executive committee, regularly reported on key matters

relating to the Group's management, strategy and institutional issues.

- **Information reported by the CEO:** The CEO reported on key matters relating to the Group's performance, budget and strategic business plans execution.
- **Corporate transactions:** The committee analysed and (where appropriate) approved some corporate transactions (e.g. investments and divestments, joint ventures and capital transactions).
- **Covid-19:** The committee was kept informed of the pandemic and was active in decision-making to mitigate its impact on the Group and the global economy, to preserve the health of employees and customers and to provide healthcare and financial resources to public and private institutions fighting the pandemic.
- **Risks:** The committee was regularly informed about the risks facing the Group. Within the framework of the risk governance model, it made decisions about transactions that it had to approve due to their materiality. It was also kept informed on specific risk matters such as the Group's leveraged finance, distribution risk and credit evolution in certain industries.
- **Subsidiaries:** The committee received reports on the performance of the various units and business lines. In particular, it was kept duly informed about Santander España's headcount and distribution model restructuring, specific regional projects (such as the One Europe App), strategic initiatives the board had approved during the year affecting subsidiaries and the appointments of key positions there.
- **Capital and liquidity:** The committee reviewed regulatory plans and exercises (e.g. EBA stress test) and received regular reports on capital ratios and the measures taken to optimize them; pricing (originations) and portfolio profitability.
- **Supervisors and regulatory matters:** The committee was regularly informed of regulatory developments, the supervisory agenda for the year and projects to ensure compliance with supervisory recommendations and regulatory changes.
- **Governance models:** The committee discussed the new governance and strategy models for new units (such as the Investment Platforms) before they were submitted to the board for approval.
- **Issuances:** By virtue of the board's delegation, the committee issued non-convertible debentures.

In 2021, the executive committee held 40 meetings. 'Board and committee attendance' in section 4.3 provides information on members' meeting attendance and the estimated average time each one spent on preparing for and participating in meetings.

### 2022 priorities

- Ensuring at all times the committee's effectiveness with consideration for all areas for continuous improvement and an overall review of its operations.
- Continuing to ensure proper coordination with the board and its committees (including other executive committees.)
- Monitoring the performance of strategic initiatives that affect the Group's many global businesses and subsidiaries.

## 4.5 Audit committee activities in 2021

'Our fundamental responsibility is the effective oversight of the financial information process and internal controls, ensuring the effectiveness of our internal audit function and maintaining a professional and open relationship with the external auditors. We must remain flexible and adapt priorities to the new challenges that may not have been foreseen at the beginning of the year. 2021 proved no different as we faced the second year of managing through a global pandemic, supporting our customers and staff, while maintaining the appropriate controls.

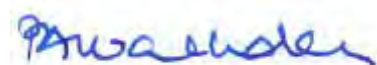
The committee benefited from a good mix of experience and skills of our members. Each provided appropriate advice and challenge to the management. We also took views from all three key lines of defence (management, risk and audit) to oversee the progress in key global initiatives.

Communication with executives and non-executives globally became even more important, given the travel restrictions around the world, as it allowed us to share with them our concerns and thoughts with them.

In the coming year, we will progress some exciting and large strategic projects in which we will try to strike the delicate balance of supporting management and ensuring an appropriate level of control for a Group of our size'.

### Pamela Walkden

Chair of the audit committee



This section is the report the audit committee prepared on 21 February 2022 regarding its activities. The board of directors approved it on 24 February 2022.

### Composition

Position		Category	Appointed on
Chair	Pamela Walkden	Independent	29/10/2019 <sup>A</sup>
	Homaira Akbari	Independent	26/06/2017
Members	Henrique de Castro	Independent	21/10/2019
	Ramiro Mato	Independent	28/11/2017
	Belén Romana	Independent	22/12/2015
Secretary	Jaime Pérez Renovales		

A. Committee chair since 26 April 2020.

The board of directors appointed the committee's members based on their expertise, skills and experience regarding the matters it handles.

For more details, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

According to SEC Regulation S-K, committee chair, Pamela Walkden is considered a financial expert based on her training and experience

in accounting, auditing and risk management, her past leadership positions at entities where accounting expertise and risk management were essential, and her international experience - primarily in the UK and Asia.

### External auditor

Our external auditor is PricewaterhouseCoopers Auditores, S.L. (PwC). Its registered office is at Paseo de la Castellana, 259 B, Madrid, and its Tax ID Code is B-79031290. It is registered with the *Registro Oficial de Auditores de Cuentas* (Official Registry of Account Auditors) of the *Instituto de Contabilidad y Auditoria de Cuentas* (Accounting and Audit Institute or ICAC) of the Ministry of Economic Affairs and Digital Transformation under number S0242.

Lead partner Julián González, assumed Alejandro Esnal's role in 2021. Mr González has experience as a global groups' audit partner (mainly in Spain and the UK) and a strong background in the Spanish financial sector. He also participates in various international banking supervisory and regulatory forums.

### Report on the independence of the external auditor

The audit committee verified the external auditor's independence, on 21 February 2022 and prior to the issuance of the 2021 auditor's report on the financial statements in line with the terms established under section 4.f) of Article 529 *quaterdecies* of the Spanish Companies Act, and Article 17.4.c) (iii) of the Rules and regulations of the board, concluding that, in its opinion, it had no objective reason to question the external auditor's independence.

In assessing the auditor's independence the committee considered personal circumstances and the financial relationship the auditor or persons performing the audit have with the Group; analysed possible threats; and established the appropriate safeguarding measures.

The committee also considered the information included in subsection 'Duties and activities in 2021' in section on the auditor's remuneration for audit and other services as well as written confirmation from the external auditor regarding its independence from Banco Santander in accordance with European and Spanish law, SEC rules and the rules of the Public Company Accounting Oversight Board (PCAOB).

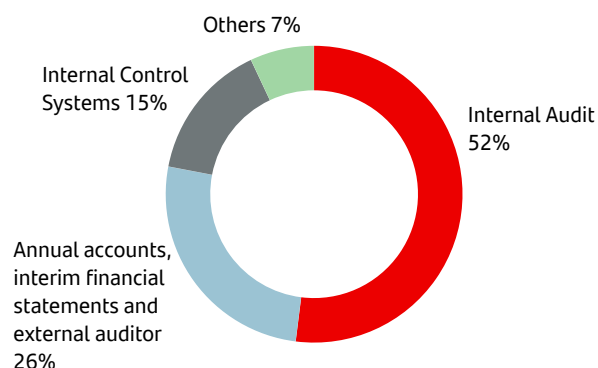
### Proposed re-election of the external auditor for 2022

As indicated in section 3.5 'Our next AGM in 2022', the board of directors will submit a resolution to re-elect PwC as external auditor for 2022 at our 2022 AGM, following the proposal the audit committee had issued in November 2021. If PwC is re-elected, Mr González will continue as lead partner in auditing the accounts in accordance with the Spanish Account Auditing Act.

### Time allocation

In 2021, the audit committee held 14 meetings. 'Board and committee attendance' in section 4.3 provides information on members' attendance and the estimated average time each one spent on preparing for and participating in meetings.

The chart below shows the committee's approximate time allocation to each function in 2021.



## Duties and activities in 2021

This section summarizes the audit committee's activities in 2021.

Duties	Actions taken
<b>Financial statements and other financial and non-financial information</b>	
Review the financial statements and other financial and non-financial information	<ul style="list-style-type: none"> <li>Reviewed the individual and consolidated financial statements and the 2021 directors' reports and submitted it prior to their approval by board of directors, monitoring compliance with legal requirements and the proper application of accounting principles and that the external auditor issued the corresponding report with regard to the effectiveness of the Group's system of internal control over financial reporting (ICFR).</li> <li>Reviewed quarterly financial information (dated 31 December 2020, 31 March, 30 June and 30 September 2021, respectively), prior to its approval by the board of directors, and they were subsequently released to the market and supervisory bodies.</li> <li>Reviewed other financial information such as: the annual corporate governance report; shares registration document filed with the CNMV; Form 20-F with 2020 the financial information, filed with SEC; the half-yearly financial information filed with CNMV and with SEC as Form 6-K.</li> <li>Oversaw and assessed the preparation and reporting of non-financial information in accordance with applicable regulations and international benchmarks. In particular, reviewed the annual 'Green Bond' report that covers the investments for each green bond issuance before the board approved it.</li> </ul>
Report to the board about applied tax policies	<ul style="list-style-type: none"> <li>Received information on the tax policies applied, in compliance with the Code of Good Tax Practices; and submitted it to the board of directors, clearly stating that, as part of the cooperation the code advocates, the Tax transparency report for the 2020 fiscal year had been filed with the <i>Agencia Estatal de Administración Tributaria</i> (Spanish Tax Authority or "AEAT").</li> </ul>
<b>Relations with the external auditor</b>	
Receive information on the audit plan	<ul style="list-style-type: none"> <li>Obtained confirmation from the external auditor that it had full access to all information to conduct the audit.</li> <li>Discussed improvements to financial reporting in light of new accounting standards and best international practices.</li> <li>Received information on the planning, progress and execution of the audit plan.</li> <li>Analysed audit reports about the annual financial statements before the external auditor submitted them to the board of directors.</li> </ul>
Relations with the external auditor	<ul style="list-style-type: none"> <li>The external auditor attended all committee meetings held in 2021, serving as a channel of communication between the external auditor and the board.</li> <li>The committee met with the external auditor two times in 2021 to discuss the audit work without the presence of the executives.</li> <li>Oversaw the change of the lead partner during 2021 and made certain that rotation rules were followed.</li> </ul>
Assessment of the auditor's performance	<ul style="list-style-type: none"> <li>Performed the external auditor's final evaluation and its contribution to financial reporting integrity on account of its work and the opinions of units and the audit committees chairs of Group's entities. During that assessment, the auditor informed the committee of the findings of regulators' inspections of PwC, which the committee analysed along with details about any relevant investigations involving PwC.</li> </ul>

**Duties****Actions taken****External auditor's independence****PwC's remuneration for audit and non-audit services**

- Monitored PwC's remuneration, including these fees for audit and non-audit services provided to the Group:

EUR million

	2021	2020	2019
Audit	103.7	99.4	102.4
Audit-related services	6.0	6.0	7.8
Tax advisory services	0.7	0.8	0.7
Other services	2.4	1.2	2.3
<b>Total</b>	<b>112.8</b>	<b>107.4</b>	<b>113.2</b>

The 'Audit' heading mainly includes audit fees for the individual and consolidated financial statements of Banco Santander, S.A., and of some of its subsidiaries; the integrated audits prepared in order to file Form 20-F for the annual report with the SEC in the US regarding any entities subject to it; the internal control audit (SOx) for Group's entities subject to it; the audit of the consolidated financial statements as of 30 June; and the regulatory auditor's reports on Grupo Santander's geographies.

Tax advisory services provided by PwC totalled EUR 75,840 for Spain and EUR 575,122 for other Group subsidiaries.

The main fees under 'Audit-related services' include, amongst others, comfort letters, verifying financial and non-financial information (as required by regulators), and reviews of the documents to be submitted to domestic or foreign securities market authorities that due to their nature are provided by the external auditor.

The 'Audit fees' and 'Audit-related fees' caption includes the fees corresponding to the audit for the year, regardless of the date on which the audit was completed. In the event of subsequent adjustments, which are not significant in any case, and for purposes of comparison, they are presented in note [47.b](#)) in the 'Notes to the consolidated financial statements' in the year to which the audit relates. The rest of the services are presented according to their approval by the audit committee.

The fees paid for non-audit services and their proportion to all fees invoiced to Banco Santander and/or its group are as follows:

	Company	Group companies	Total
Amount of non-audit work (thousands of EUR)	556	2,567	3,123
Amount of non-audit work as a % amount of audit work	0.5%	2.5%	3.0%

In 2021, Santander arranged for services provided by audit firms other than PwC EUR 263.8 million (EUR 172.4 and 227.6 million in 2020 and 2019, respectively).

**Non-audit services. Assess threats to the independence and protective measures**

- Reviewed services rendered by PwC and confirmed its independence. For those purposes, it:
  - Verified that all services rendered by the Group's auditor, including audit and audit-related services, tax advisory services (mainly on tax and compliance tax advice and tax compliance services) and other services detailed in the section above, met the independence requirements set out in the applicable regulation.
  - Verified the 2021 ratio non-audit services fees to total fees received by the auditor for all services provided to the Group, with stood at 3.0%.
  - Average fees paid to auditors in 2021 for non-audit and related services account for 8% of total fees paid as a benchmark according to available information on the leading listed companies in Spain.
  - Verified the ratio of fees paid for all items relating to the services provided to the Group to total fees accrued in 2021 by PwC as a firm. The Group's total fees paid are less than 0.30% of PwC's total revenue worldwide.
  - Reviewed banking transactions performed with companies related to PwC and concluded that none that could compromise PwC's independence have been detected.
  - Since the publication of the (EU) Regulation 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, Banco Santander meets the requirement that, for three or more consecutive years, total fees received for non-audit services do not exceed 70% of the average fees paid in the last three consecutive years for the audit of the Group's entities.

**External auditor independence report**

- After considering the information above, the committee issued its 'Report on the independence of the external auditor', which is described at the beginning of this section [4.5](#).

**Re-election of the external auditor****Re-election of the external auditor**

- Proposed to the board, for subsequent submission to the 2022 AGM, the re-election of PwC as the external auditor of Banco Santander and its consolidated Group for 2022.

**Duties****Actions taken****Internal audit function****Oversight of the Internal audit function**

- Supervised the internal audit function and ensured its independence and effectiveness in 2021.
- Continued monitoring Covid-19's impact on internal audit activities on a regular basis.
- Reported on progress made with the internal audit plan, with exhaustive control over internal audit recommendations and ratings of corporate units and functions. The chief audit executives (CAEs) of the core corporate units and divisions reported at least once to the committee in 2021.
- Held its meetings in 2021 with the CAE and representatives of the Internal Audit division in attendance; and held private meetings with the CAE without other executives or the external auditor present.
- Proposed the 2021 Internal audit function budget, ensuring that it had the physical and human resources needed to perform its function effectively; and was kept apprised of the progress and timetable of the Audit hubs being created, as well as of digital initiatives relating to the Internal Audit division.
- Reviewed the strategic audit plan for 2021-2024 based on a comprehensive risk assessment and submitted it to the board for approval.
- Received regular information on the internal audit activities carried out in 2021, highlighting an overall improvement in audit ratings, in part, due to continued focus on building a stronger control environment; and conducted an additional review of issued audit reports, requiring that relevant business areas present action plans.
- Increased first-line management's involvement in internal audit recommendations and related documents about 2021.
- Received holistic reviews of internal audit coverage of key topics to ensure proper oversight, with second line of defence representatives invited to provide it with additional feedback.
- Reviewed and recommended to the board the 2021 objectives for the CAE; and assessed the Internal audit function's preparedness and effectiveness when fulfilling its duty, as well as the CAE's performance in 2021 (which was reported to the remuneration committee and the board to determine his variable remuneration).
- Required that an external assessment of the Internal audit function be performed in 2022 according to the best practices of International Internal Audit Standard 1312 to ensure compliance with regulation and international practices.

**Internal control systems****Monitoring of the evaluation of the internal control systems**

- Received information on the evaluation and certification the Group's internal risk control system (IRCS) for 2020 and assessed its effectiveness, in compliance with regulatory requirements with from the CNMV (ICFR- Internal Control over Financial Reporting) and the SEC Sarbanes-Oxley Act (SOx). Its main priority was the reduction of risk in the risk control system and actions in certain geographies.

**Whistleblowing channel (Canal Abierto)**

- Received the annual update about Canal Abierto (the whistleblowing channels in the Group) in a joint meeting with risk supervision, regulation and compliance committee, helping ensure that the Group's culture is embedded in the working environment is conducive to employees' talking straight and being truly listened to.

**Coordination with Risk**

- Developed different activities to ensure that the internal audit plan is properly coordinated with the Group's relevant risks.
- Held three joint meetings with the risk supervision, regulation and compliance committee in order to share information and discuss topics of mutual interest including the group risk control environment assessment, model risk, financial crime compliance, whistleblowing and third-party supplier risk management.
- Held monthly meetings with the chairs of both the audit committee and the risk supervision, regulation and compliance committee. As detailed in section [1.1 'Board skills and diversity'](#), Pamela Walkden was appointed to the risk supervision, regulation and compliance committee. The CRO was also invited to all 2021 committee's meetings.

**Other activities**

- Was engaged in the appointment of any new CAE at subsidiaries in line with Group's internal regulation ensuring their proper oversight and control.
- Continued its collaboration with the responsible banking, sustainability and culture committee to supervise and evaluate the preparation of non-financial information.

**Related-party and corporate transactions****Creation of special-purpose vehicles or entities based in countries considered non-cooperative jurisdictions**

- Was informed by the head of Tax of the Group's offshore entities in accordance with Spanish regulations. See note [3.c\)](#) in the 'Notes to the consolidated financial statements'.

**Approval and oversight of related party transactions**

- Reviewed transactions carried out by Banco Santander to ensure they satisfied the Rules and regulations of the board and relevant legislation in relation to related parties and seeking board approval where required. The committee has examined the financial statements in regard to regarding related party transactions. See section [4.12 'Related-party transactions and conflicts of interest'](#).
- Was informed of the amendments on related-party transactions in the Spanish Companies Act through Act 5/2021 and informed the board of its endorsement of the recommendation that it delegate to competent bodies, committees, proxies and executives approval of their own related-party transactions in the ordinary course of business; approval of the internal disclosure; and regular control of any transactions it has delegated to the committee to approve.

**Transactions involving structural or corporate changes**

- Reviewed the corporate transactions that the Group planned in 2021 prior to the submission to the board of directors, analysing their economic conditions, accounting and internal audit impact.



**Duties****Actions taken****Information for general meetings and corporate documents**

<b>Shareholders information</b>	<ul style="list-style-type: none"> <li>At our 2021 AGM (held remotely), board secretary Jaime Pérez Renovales, and substituting Pamela Walkden as committee chair, reported to shareholders on the matters and activities within the committee's scope in 2020.</li> </ul>
<b>Corporate documents for 2021</b>	<ul style="list-style-type: none"> <li>Prepared this report on its activities in 2021, which includes a performance review of its assigned functions and key priorities for 2022 based on the assessment of the effectiveness of the board and its committees.</li> </ul>

**Annual assessment of the committee and its achievement of 2021 objectives**

In 2021, to follow up on the external review in 2020, an internal effectiveness review of our board practices was conducted and areas for improvement were identified. For more details about the internal review and its findings see 'Board assessment in 2021' in section [4.3](#).

The committee took the actions planned for 2021. In particular, it:

- Reinforced the coordination and sharing of information with other committees, especially with the risk supervision, regulation and compliance committee. The audit committee chair was appointed as member of the latter. In addition, the Group CRO was invited to all committee meetings in 2021 and three joint meetings were held to ensure ongoing coordination and raise awareness of mutual areas of interest.
- Strengthened coordination and information exchange with the core units and divisions through the reciprocal participation of the committee chair in the meetings of the audit committees of the different countries and the chairs of the audit committees of the different countries at committee meetings.
- Held another Audit Committee Chairs Convention to raise awareness of global initiatives and expectations and to create an opportunity to collectively discuss relevant issues, putting the focus on key areas: model risk, climate change and trends in non-financial information, compliance and financial crime, provision of credit risk and areas for improvement, among others.
- Reviewed a committee activity interim report to ensure that the committee's responsibilities were being adequately fulfilled and that the expectations of the committee members were met, compliance with the applicable rules and alignment of meeting planning with business needs and promotion of a continuous feedback environment.
- Remained focused on, and debated, such critical aspects as the supervision of the internal audit function and the internal control systems and, in particular, control environment risk assessment, execution of the internal audit plan, model management, anti money laundering and relationships with third party suppliers.
- Promoted a greater presence of the first line of defence, for which it required the presence of the country head/local CEO during the local CAE's updates on internal audit on a significant number of occasions.

- Continuing to focus on key judgements that are made in preparing the Group's financial statements.
- Monitoring internal audit plan execution, especially in terms of how management identifies and measures emerging risks from the covid-19 crisis and overseeing the Group's response to its environmental ambitions.

**2022 priorities**

The committee set these priorities for 2022:

- Continuing to focus on its size and composition, particularly regarding the accounting, financial, risk management and audit expertise it needs, as well as any other areas that will enhance its effectiveness.



#### 4.6 Nomination committee activities in 2021

'The committee continued its work on overseeing the process on key appointments to the board and senior management roles, supported by its work on robust succession planning. Focus remained on the collective skills and experience of the board and ensuring that gender and broader diversity remain front of mind in our succession planning.

Given our commitment to continuous improvement and to fully adhering to the best industry standards, evolving supervisory expectations and to stakeholders' best interests (clients, employees, shareholders and, more generally, the community in which Banco Santander operates), we continued our work on improving our overall effectiveness through commissioning an external evaluation to holistically review our governance model.

An appropriate mix of members' skills, further reinforced by the appointment of Gina Díez as a member, helped the committee to address these tasks and to operate effectively, offering appropriate challenge and support to management'.

**Bruce Carnegie-Brown**  
Chair of the nomination committee



This section is the report the nomination committee prepared on 21 February 2022 regarding its activities. The board of directors approved it on 24 February 2021.

#### Composition

Position		Category	Appointed on
Chair	Bruce Carnegie-Brown	Independent	12/02/2015 <sup>A</sup>
Members	R Martín Chávez	Independent	22/12/2020
	Sol Daurella	Independent	23/02/2015
	Gina Díez Barroso	Independent	22/12/2021
Secretary	Jaime Pérez Renovales		

A. Committee chair since 12 February 2015.

The board of directors appointed the committee's members based on their expertise, skills and experience regarding the matters it handles.

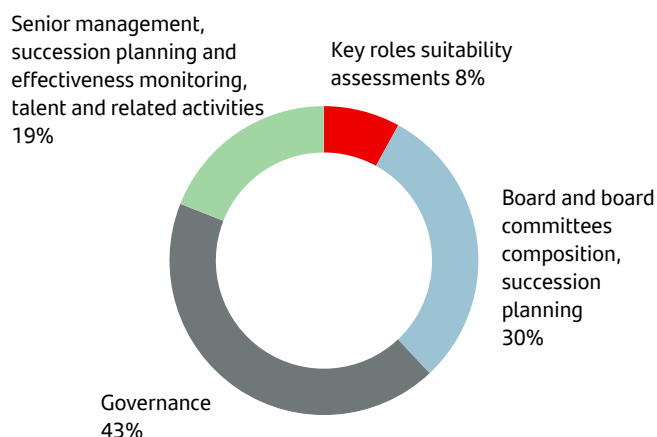
For more details, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

The only change in the committee composition in 2021, was Gina Díez appointment on 22 of December 2021.

#### Time allocation

In 2021, the nomination committee held 12 meetings. 'Board and committee attendance' in section 4.3 provides information on members' attendance and the estimated average time each one spent on preparing for and participating in meetings.

The chart below shows the committee's approximate time allocation to each function in 2021.



## Duties and activities in 2021

This section summarizes the nomination committee's activities in 2021.

Duties	Actions taken
<b>Composition of the board and its committees</b>	
Selection, suitability assessment and succession policy and renewal of the board and its committees	<ul style="list-style-type: none"> <li>Ensured board member selection procedures guaranteed directors' individual and collective suitability; fostered diversity of gender, experience and skills; and conducted the necessary analysis of the required expertise, skills and time commitment for effective board membership.</li> <li>Continued playing a leading role in the appointment of board and committee members and senior managers, and planning their succession.</li> <li>Assessed the composition of the board committees and the international advisory board in order to ensure they had the right skills and experience to perform their duties successfully.</li> <li>Continued monitoring the board of directors' overall skills and competencies, including the need to cover Banco Santander's strategic markets and such areas as technology, digital strategy, banking, finance, regulation and ethics.</li> <li>Continuously oversaw appointments of key positions and the regular strategic review of leadership succession plans.</li> <li>Ensured candidate pool selection for any nomination, interviews and appointment decisions actively took into account diversity in its broadest sense.</li> </ul>
Appointment, re-election, confirmation and removal of directors and committee members	<ul style="list-style-type: none"> <li>Verified that the overall composition and skills of the board of directors and its committees are appropriate and identified, utilizing the skills matrix and the 2020 board effectiveness review, desired areas of expertise and experience in recruitment.</li> <li>Recommended the board nominate Germán de la Fuente as a new board member for subsequent approval at the AGM. He will contribute significant auditing, accounting and technical banking expertise.</li> <li>Submitted proposals to the board to make changes to certain committees' composition in order to strengthen their performance and support to the board in their areas of authority.</li> <li>Gina Díez was appointed a new committee member 12 months after being appointed a board member in December 2020. She had been nominated to join the committee in consideration of her skills, qualifications and experience (especially in corporate governance, strategic analysis and evaluation of human resources, selection of senior officers, the performance of senior management duties, and other tasks the committee usually discharges).</li> </ul>
<b>Succession planning</b>	
Succession planning for executive directors and senior managers	<ul style="list-style-type: none"> <li>Reviewed the information it received regularly on senior executive succession planning (which included key positions in subsidiaries) and made sure it is being implemented to ensure the orderly succession of senior managers through a rigorous, transparent, merit-based and objective process, that promotes diversity in its broadest sense.</li> <li>Reviewed an external expert's report that concluded Banco Santander's succession arrangements and framework for the board and critical roles throughout the Group are consistent with regulatory requirements and best industry practice.</li> </ul>
<b>Director status verification</b>	
Annual verification of the status of directors	<ul style="list-style-type: none"> <li>Verified each director category (i.e. executive, independent and other external) and submitted its proposal to the board of directors that it be confirmed or revised in the annual corporate governance report and at the AGM. See section <a href="#">4.2 'Board composition'</a>.</li> <li>Assessed directors' independence, verifying no significant business ties between the Group and companies in which they are or have been significant shareholders or directors, in particular regarding financing extended by the Group to such companies. In all cases, the committee concluded that the existing ties were not significant because (i) financing (a) did not create economic dependence for such companies because it could be replaced by different bank-based or other sources of funding, and (b) was consistent with the Group's share of the relevant market; and because (ii) business ties did not reach comparable materiality thresholds used in other jurisdictions as benchmarks (e.g. NYSE, Nasdaq and Canada's Bank Act), among other reasons.</li> </ul>
<b>Regular assessment</b>	
Annual suitability assessment of directors and key officers	<ul style="list-style-type: none"> <li>Assessed the suitability of the members of the board, senior management members, those responsible for internal control functions and those holding key positions of the Group, ensuring their business and professional probity and appropriate knowledge and experience to perform their duties.</li> <li>Concluded that board members can carry out good governance of Banco Santander after reviewing board meeting attendance and noting that, on average, directors attend 98.67% of board meetings and that it was not compelled to take any action against any director for under 75% attendance.</li> <li>During 2021, the committee, based on the information it had received from the directors, was not aware of any circumstance or situation that could harm the Group's credibility and reputation.</li> </ul>
Directors' potential conflicts of interest and other professional activities	<ul style="list-style-type: none"> <li>Examined the information the directors had given about their other professional activities or positions to which they had been proposed and the related time commitment; and concluded those commitments did not interfere with that required of them as Banco Santander directors and did not put them in any conflict of interest.</li> </ul>

**Duties****Actions taken****Board assessment**

- Oversaw the holistic review of our governance model by an external adviser to determine if it accommodated the characteristics of our global operations, supervisors' expectations and industry best practice.
- Reviewed the 2022 action plan to address the areas for improvement revealed in the 2020 and 2021 board effectiveness reviews.

**Senior management****Appointment of key officers**

- Issued favourable opinions on the following appointees, approved by the board:
  - Carlos Rey as new regional head for South America to replace Sergio Rial, who assumed the non-executive chair role at Santander Brazil with effect from 1 January 2022.
  - Nathan Bostock as head of Investment Platforms.
  - Javier Roglá as new chief talent officer to replace Roberto di Bernardini.
- Issued favourable opinions on directors and members of senior management appointments at the Group's core subsidiaries.

**Talent and director training**

- Received information about the initiatives in Human Resources to make Santander an employer of choice in three ways: by putting the employee at the centre of everything we do; by securing the right talent and skills; and by aligning with the business to deliver value and our strategy.
- Reviewed the Group's director induction, information, training, development and knowledge refreshment programmes in line with the Rules and regulations of the board, the ESMA and EBA's joint guidelines, and the Spanish Governance Code so that they would be designed according to each director's own circumstances and needs.
- Assessed the Group's director induction and training programmes and recognized areas for improvement.

**Internal governance and corporate governance****Internal governance oversight**

- Assessed the suitability of certain nominees at the subsidiaries subject to the Group's appointments and suitability procedure; and oversaw subsidiary board composition to ensure a consistent selection and suitability approach across the Group.
- Received explanations regularly about new governance regulation, trends, best practices and implications for the Group; closely reviewed amendments to Act 5/2021 (especially in regard to new related-party regulation); and amendments to corporate governance codes that apply to the Group and subsidiaries.
- Verified that subsidiary boards, committees and their duties aligned governance structures were consistent with the Group-Subsidiary Governance Model (GSGM) guidelines and best practice; and tracked subsidiaries' actions and progress in implementing internal regulation dictated by the Group.
- Endorsed lead director nominations for subsidiary boards to ensure board members representing the Group as significant shareholder are appropriate and will correctly perform their duties.

**Corporate governance**

- Received an overview of the highlights and results from the 2021 AGM, especially, its virtual only nature.
- Reviewed the joint work of the lead independent director and the Shareholder and Investor Relations team and investors' and shareholders' feedback on the Group's corporate governance arrangements.
- Reviewed the independence of the external advisers hired by the nomination and remuneration committees in 2021 in line with the CNMV Technical Guide 1/2019 on nomination and remuneration committees, analysing, inter alia, the services the advisers provided and the amounts they received.
- Reviewed the annual corporate governance report to verify that information to be published conforms to the law and that the corporate governance system promotes corporate interests and considers the legitimate interests of all stakeholders.

**Information for general meetings and corporate documents****Shareholders information**

- At our 2021 AGM (held remotely), board secretary Jaime Pérez Renovales, substituting Bruce Carnegie-Brown as committee chair, reported to shareholders on the matters and activities within the committee's scope in 2020.

**Corporate documents for 2021**

- Prepared this report on its activities in 2021, which includes a performance review of its assigned functions and key priorities for 2022 based on the assessment of the effectiveness of the board and its committees.

**Annual assessment of the committee and its achievement of 2021 objectives**

In 2021, to follow up on the external review in 2020, an internal effectiveness review of our board practices was conducted and areas for improvement were identified. For more details about the internal review and its findings see 'Board assessment in 2021' in section [4.3](#).

The committee took the actions planned for 2021. In particular, it:

- Reviewed information it received regularly on senior executives succession planning (which included key positions in subsidiaries); ensured plans were in place for the orderly succession of senior management positions and that there was a rigorous and transparent procedure based on merit and objective criteria and

that promotes diversity in its broadest sense; and reviewed an external expert's report that concluded Banco Santander's overall succession arrangements and framework for the board and critical roles throughout the Group are consistent with regulatory requirements and best industry practice.

- Monitored the skills and training needs of the Group's directors and reviewed an overview of the Group's director induction and training programmes at the subsidiaries to coordinate them across the Group. The committee's review showed subsidiaries' high level of adherence to the GSGM. All GSGM subsidiaries have induction and training programmes and offer structured programmes for directors to develop and enhance skills, when needed.

- Oversaw the holistic reviews by external advisers of our governance model and functioning. When Egon Zehnder conducted an effectiveness review of the board of directors and its committees in 2020, its report concluded that Banco Santander's board is highly effective. When another external adviser performed a holistic review of our governance arrangements to assess its functioning and conformity with regulations, supervisors' expectations and industry best practices in 2021, it concluded Banco Santander has a sophisticated governance model that suits its group-wide characteristics and requirements and acknowledged our board members' high profile and diversity of the board in terms of gender, national origin, age and background.
- Reviewed the action plan for such key governance objectives as ensuring continued clarity of the role and the responsibilities of the most senior executives (including the executive chair and CEO); that checks and balances remain appropriate and effective; and that the independence of control functions remains fully preserved according to the external reports' findings and our commitment to constant improvement.
- Focused on reviewing corporate governance matters and reports and oversaw engagement with shareholders and investors about governance.

## 2022 priorities

The committee set these priorities for 2022:

- Continuing to focus on the review of the senior executive and board member succession plans according to the Group's current and future strategy and to potential challenges the business may face when identifying future leadership needs.
- Continuing to ensure that gender and broader diversity remains a key priority in our succession policy, appreciating that a more diverse and inclusive workforce is critical to a sustainable and successful business.
- Continue to monitor board members' skills and experience, in particular, training needs and ongoing training and development for the whole board.
- Ensuring the actions recommended in external advisers' governance reviews are introduced into the action plan and correctly executed.
- Keeping the corporate governance arrangements under constant review to make sure it continues to consider all stakeholders' interests with strategic relevance for the Group by closely monitoring shareholder engagement and, together with the lead independent director, by taking into account their feedback and insight.

## 4.7 Remuneration committee activities in 2021

'In 2021, we maintained oversight of the application and implementation of remuneration policies and frameworks for the Group and focused on simplifying executive remuneration within regulatory parameters. This included shaping compensation schemes consistent with the Group's values of 'Simple, Personal and Fair', meeting stakeholders' expectations. In particular, the committee conducted a comprehensive review of the Group's long term variable compensation which has been in place for five years, to see what enhancements could be implemented, and proposed simplifying the metrics, amending the key metrics to align with the Group's evolving strategy and introducing an ESG metric for the first time. This review included consultation with the Group's significant institutional shareholders.

We addressed the importance of the gender pay gap and equal pay by overseeing the implementation of the diversity and inclusion strategy on remuneration, including progress against gender targets, acknowledging diversity as a key pillar for succeeding in the Group's long-term strategy.

An appropriate mix of committee members' skills helped the committee address those tasks and operate effectively, offering appropriate challenge and support to management. We also made sure we coordinated with our core subsidiaries' remuneration committees constantly and were aware of subsidiary teams' point of view so corporate remuneration policies would be applied consistently'.

### Bruce Carnegie-Brown

Chair of the remuneration committee



This section is the report the remuneration committee prepared on 21 February 2022 regarding its activities. The board of directors approved it on 24 February 2022.

### Composition

Position		Category	Appointed on
Chair	Bruce Carnegie-Brown	Independent	12/02/2015 <sup>A</sup>
	R. Martín Chávez	Independent	27/10/2020
Members	Sol Daurella	Independent	23/02/2015
	Henrique de Castro	Independent	29/10/2019
	Luis Isasi	Other external	19/05/2020
Secretary	Jaime Pérez Renovales		

A. Committee chair since 12 February 2015.

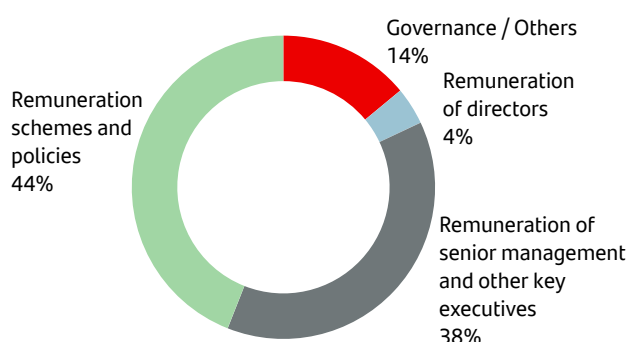
The board of directors appointed the committee's members based on their expertise, skills and experience regarding the matters it handles.

For more details, see section [4.1 'Our directors'](#) and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section [4.2](#).

### Time allocation

In 2021, the remuneration committee held 12 meetings. 'Board and committee attendance' in section [4.3](#) provides information on members' attendance and the estimated average time each one spent on preparing for and participating in meetings.

The chart below shows the committee's approximate time allocation to each function in 2021.



### Duties and activities in 2021

This section summarizes the remuneration committee's activities in 2021.

Duties	Actions taken
<b>Remuneration of directors, senior management and other key executives</b>	
Individual remuneration of directors in their capacity as such	<ul style="list-style-type: none"> <li>Analysed and proposed adjustments to the remuneration of directors in their capacity as such, based on the positions they held on the collective decision-making body, their membership on and attendance at the meetings of the committees, and any other objective circumstances evaluated by the board.</li> </ul>
Individual fixed remuneration for executive directors	<ul style="list-style-type: none"> <li>Reviewed the adequacy of executive directors' fixed remuneration to market rates and their responsibilities, which resulted in no quantity adjustments.</li> </ul>
Individual variable remuneration for executive directors	<ul style="list-style-type: none"> <li>Proposed to the board immediately payable and deferred amounts of variable remuneration of the preceding year.</li> <li>Submitted a proposal, as part of the directors' remuneration policy, on the annual performance indicators and targets used to calculate 2022 variable remuneration, subject to board approval.</li> <li>Proposed the achievement scales and weightings for annual and multi-year performance targets.</li> </ul>
Share plans	<ul style="list-style-type: none"> <li>Submitted a proposal to the board, for vote at the 2021 AGM, regarding the approval of remuneration plans that involve the delivery of shares or share options (deferred multiyear targets variable remuneration plan; deferred and conditional variable remuneration plan; application of the Group's buy-out policy).</li> <li>Analysed and submitted to the board a proposal, for approval at the AGM, regarding the 2021 Digital Transformation Award, which was designed and implemented to attract and retain key talent to drive long-term share value creation through the achievement of key digital milestones.</li> </ul>
Propose the annual directors' remuneration report to the board	<ul style="list-style-type: none"> <li>Drafted and proposed to the board the annual directors' remuneration report for an advisory vote at the 2021 AGM.</li> <li>Assisted the board of directors in overseeing compliance with the director remuneration policy.</li> <li>Received information from the lead independent director about engagement with key shareholders and proxy advisers regarding executive director remuneration issues.</li> <li>Held a joint session with the risk supervision, regulation and compliance committee to verify that remuneration schemes factor in risk, capital and liquidity, and do not offer incentives to assume risks that exceed Banco Santander's tolerance, thus promoting and being compatible with adequate and effective risk management.</li> </ul>

## Duties

### Remuneration policy for senior management and other key executives

## Actions taken

- Focused on simplifying executive remuneration, shaping remuneration schemes consistent with Banco Santander's Simple, Personal and Fair values, and including long term ESG related metrics in coordination with the responsible banking, sustainability and culture committee.
- Proposed to the board the global annual variable remuneration for 2020 payable immediately and the deferred remuneration of the main executive segments, in line with the achievement of previously set quantitative and qualitative targets; proposed to the board the individual remuneration of members of senior management, based on each one's achievement of the annual performance targets and their weightings as set by the board.
- Reviewed the results of top executives' performance review calibration in coordination with non-executive directors for the executive chair, the executive directors and the chief financial officer; the risk supervision, regulation and compliance committee for the chief risk officer and chief compliance officer; and the board audit committee for the chief audit executive.
- Submitted proposals to the board to determine or amend the annual fixed and variable remuneration of certain senior management members.
- Established the annual performance indicators to calculate variable remuneration for 2022 in order to simplify the bonus pool scorecard, with a focus on customers, risk, capital and profitability.
- Set the achievement scales for the annual and multi-year performance targets and weightings for submission to the board.

### Remuneration of other executives whose activities may have a significant impact on the Group's risk profile (Identified Staff)

#### Remuneration for other executives who are Identified Staff but not senior management

- Reviewed the fixed and variable remuneration ratios for control functions to ensure consistency with regulation and their control objectives.
- Set key remuneration components for Identified Staff (Material Risk Takers) in coordination with the risk supervision, regulation and compliance committee.
- Maintained close coordination with the board and its committees to ensure that risks are correctly controlled and mitigated.
- Submitted a proposal to the board, for subsequent submission to the 2021 AGM, regarding the approval of maximum variable remuneration of up to 200% of the fixed component for Group employees whose activities have a material impact on Banco Santander or the Group's risk profile, including executive directors.
- Reviewed certain remuneration schemes to support the attraction and retention of key talent to help drive digitalization, the application of incentives implemented in the Group, and the achievement of the long-term metrics associated with deferred remuneration.

#### Assist the board of directors in supervising compliance with remuneration policies

- Reviewed director remuneration schemes to ensure they considered the Group's results, culture and risk appetite, and that there were no incentives to assume risks that exceed Banco Santander's tolerance, thus promoting effective risk management.
- Informed the board of a report issued by an external adviser that assessed the remuneration policy according to Ley 10/2014, CRD IV and EBA guidelines, which establish that credit institutions' remuneration policies will be subject to a central and independent internal assessment to verify compliance with the remuneration guidelines and procedures adopted by the board of directors as part of its supervisory function. The review concluded that the Group's policies, procedures and practices comply with the prudential requirements applicable to credit institutions.
- Reviewed Group remuneration policies and practices and assessed their effectiveness prior to their review by the board of directors.
- Reviewed and favourably assessed the simplification of the remuneration policy, to facilitate its effective use and understanding as well as the inclusion of CRD V amendments (i.e. gender neutrality, ESG objectives, use of variable remuneration instruments, adjustments in criteria for identifying MRTs, minimum deferral period of four years and an amendment to the limitations on business objectives for control functions according to regulation).

## Gender and equal pay

- Continued to monitor application of diversity policies, including the achievement of targets to reduce gender pay gap and equal pay gap.
- Reviewed gender pay gap data in absolute terms and regarding "equal pay for equal work" in the Group; compared them to the previous year and to targets; and focused on measures to enhance them in every country.

## Governance

### Governance

- Monitored the actions subsidiaries took to reduce their board members' remuneration in line with the initiative of the Group's board in light of the pandemic.
- Took up certain remuneration oversight tasks for Santander London Branch according to requirements from the UK's Prudential Risk Authority (PRA) which expects "third-country branches" in the UK to have independent oversight.

## Information for general meetings and corporate documents

### Reporting to shareholders

- At our 2021 AGM (held remotely), board secretary Jaime Pérez Renovales, and substituting Bruce Carnegie-Brown as committee chair, reported to shareholders on the matters and activities within the committee's scope in 2020.

### Corporate documents for 2021

- Prepared this report on its activities in 2021, which includes a performance review of its assigned functions and key priorities for 2022 based on the assessment of the effectiveness of the board and its committees.



## Annual assessment of the committee and its achievement of 2021 objectives

In 2021, to follow up on the external review in 2020, an internal effectiveness review of our board practices was conducted and areas for improvement were identified. For more details about the internal review and its findings see 'Board assessment in 2021' in section [4.3](#).

The committee took the actions planned for 2021. Among the salient actions, it:

- Kept incentives under regular review to ensure they continue to align with our strategy and drive the right culture and behaviours; and made changes to simplify remuneration schemes to ensure they are effective and fair within regulation.
- Reviewed proposals to continue to enhance our employee value proposition to attract and retain key talent, maintaining strong shareholder support as well as investors and proxy agencies' appreciation for our thorough approach and disclosures.
- Strengthened coordination and communication with the remuneration committees of the Group's subsidiaries, monitoring the application of corporate remuneration policies to ensure a consistent approach. The presentations from Santander UK and Santander Brasil's Human Resources functions provided the committee with an overview of local market practices and challenges.
- Prioritized gender pay measurement across the Group and how it compared to the previous year and set targets; and reviewed internal tools to calculate the gender equality metrics more accurately and action plans to reduce the gender pay gap for the Group and its core subsidiaries.

## The director remuneration policy report

Pursuant to section 2 of Article 529 *novodecies* of the Spanish Companies Act, the remuneration committee issues this report on the resolution regarding the directors' remuneration policy for 2022, 2023 and 2024 that will be submitted by the board of directors at the 2022 AGM as a separate item on the agenda and is an integral part of this report. See section [6.4 'Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote'](#) and section [6.5 'Preparatory work and decision-making for the remuneration policy; remuneration committee involvement'](#).

Banco Santander's Remuneration function prepares the directors' remuneration policy based on requests, observations and suggestions it receives from the human resources committee, remuneration committee, board of directors and external advisers throughout the year (the policy for 2022, 2023 and 2024 includes suggestions from Willis Towers Watson). The remuneration committee receives a first draft of the policy every January to review and debate. During the meeting, it considers the inputs the chair and lead independent director receive through shareholder and stakeholder engagement during the year. It also considers any recommendations from regulators, legal requirements or regulation that has come to light since the last time the policy was submitted for approval at the annual general meeting. The committee also makes sure the policy is consistent with the Group's culture and Simple, Personal and Fair values. The Remuneration function then prepares the final draft for the remuneration committee to submit to the board of directors for approval in February.

The remuneration committee believes the directors' remuneration policy for 2022, 2023 and 2024 included under section [6.4](#) is

consistent with the Group's remuneration policy and with the remuneration scheme in the Bylaws.

The directors' remuneration policy has been reviewed, introducing several new features. It includes share options as variable remuneration instruments (along with shares) to align executive pay with shareholders' interests. It has updated long term metrics to cover ESG aspects, RoTE and relative TSR (which was already included, but increasing the minimum threshold for pay) to be consistent with best practice and our shareholders' and investors' interests. Furthermore, it has reduced our annual pool metrics from four to three (i.e. customers, RoRWA and RoTE), with qualitative adjustments for risk, capital adequacy, competitor analysis, sustainable results and responsible banking commitments to sharpen our strategic focus.

## 2022 priorities

The committee set these priorities for 2022:

- Keeping incentive measures under continuous review to ensure they continue to align with our strategic aims, focus on customers and sustainable profitability and drive the right culture and behaviours, balancing the needs of our people, customers, communities, shareholders and regulators.
- Continuing to enhance our employee value proposition with a view to attracting and retaining key talent for the Group, ensuring meritocracy through a proper correlation between pay and performance, and considering the changing environment, new ways of working and the digital transformation.
- Keeping the focus on the continuous improvement and simplification of our variable remuneration schemes to maintain strong shareholder support and investors' and proxy advisers' appreciation.
- Increasing its coordination with the Group subsidiaries' remuneration committees and HR teams to ensure the consistent application of corporate policies as well as mutual awareness of the Group's trends and challenges.
- Continue focusing on accelerating pay equality across the Group.



#### 4.8 Risk supervision, regulation and compliance committee activities in 2021

'2021 was a challenging year in terms of risks. Because of the challenges posed by covid-19 and the uncertain macroeconomic conditions, the committee closely oversaw the actions to manage and mitigate them. The committee also closely monitored both everyday and more strategic, non-traditional emerging risks in all subsidiaries, in full coordination with the board and other committees.

Inspired by our previous chair, we remain focused on long-term strategic risks that could ultimately compromise Banco Santander's business and risk profile. The second strategy meeting we held in June 2021 served as another forum to examine and debate such relevant emerging risks as crypto assets, new areas of business, and property and other market segments in the wake of the pandemic. The committee will pay close attention those risks and remain closely vigilant of any that emerge in the future to ensure they are properly and evenly managed in daily operations'.

##### Belén Romana

Chair of the risk supervision, regulation and compliance committee



This section is the report the risk supervision, regulation and compliance committee prepared on 18 February 2022 regarding its activities. The board of directors approved it on 24 February 2022.

##### Composition

Position		Category	Appointed on
Chair	Belén Romana	Independent	28/10/2016 <sup>A</sup>
	R. Martín Chávez	Independent	27/10/2020
Members	Luis Isasi	Other external	19/05/2020
	Ramiro Mato	Independent	28/11/2017
	Pamela Walkden	Independent	01/05/2021
Secretary	Jaime Pérez Renovales		

A. Committee chair since 1 April 2021.

The board of directors appointed the committee's members based on their expertise, skills and experience regarding the matters it handles.

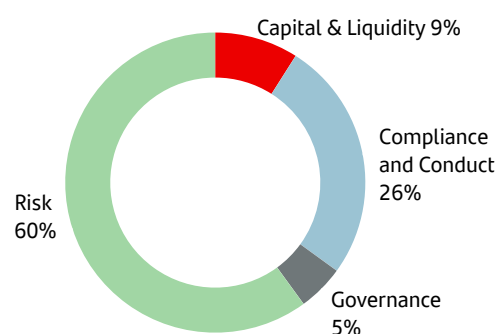
For more details, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

On 1 April 2021 Álvaro Cardoso stepped down as the risk committee chair and member, being replaced by Belén Romana.

##### Time allocation

In 2021, the committee held 16 meetings including one strategy session in June. 'Board and committee attendance' in section 4.3 provides information on members' attendance and the estimated average time each one spent on preparing for and participating in meetings.

The chart below shows the committee's approximate time allocation to each function in 2021<sup>A</sup>.



A. All regulatory and supervisory relations matters discussed in 2021 are included in each relevant category in the above chart.

## Duties and activities in 2021

This section summarizes the risk supervision, regulation and compliance committee's activities in 2021.

Duties	Actions taken
Risk	
Assist the board in (i) defining the Group's risks policies, (ii) determining the risk appetite strategy and culture and (iii) supervising their alignment with the Group's corporate values	<ul style="list-style-type: none"> <li>Carried out an overview of the Group's risks, conducted specific analyses by unit and risk type; assessed proposals, issues and projects relating to risk management and control and received updates on risks from the Group's main subsidiaries and businesses.</li> <li>Discussed the regular monitoring of the risk appetite and its metrics, and reviewed the annual risk appetite statement proposal (including an analysis of new metrics proposed and any breaches occurred throughout the year) before it was submitted to the board for approval. Checked compliance with risk appetite limits every quarter and reviewed new proposed metrics and any breach in the year.</li> <li>Reviewed compliance with the new EBA Guidelines 2021/05 on internal governance.</li> <li>Oversaw the update of our social and environmental policies (in coordination with the responsible banking, sustainability and culture committee), which set out the financing criteria and prohibited actions in specific industries such as energy, mining and soft commodities.</li> <li>Reviewed the 2021 recovery plan, assessed the Group's resilience to severe stress scenarios and submitted it to the board of directors for approval.</li> <li>Reviewed and challenged the key processes of the Group, such as the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP), the Strategic Plan, the 3-year strategic financial plan, the annual budget and the Recovery and Resolution plans. Reviewed and challenged the identified risks and mitigating factors associated with those key processes, their consistency, and their overall alignment to the Group's risk appetite.</li> </ul>
Risk management and control	<ul style="list-style-type: none"> <li>Received regular updates on the top risks under management and the appropriateness of mitigating controls.</li> <li>Reviewed the robustness of the Group's risk control management, most notably the risk profile assessment (RPA), and the risk control self-assessment (RCSA), two of the main tools for risks control.</li> <li>Conducted regular reviews of the Group's risks as well as the specific reviews by units and risk types. Assessed proposals, issues and projects relating to risk management and control.</li> <li>Analysed risks and opportunities associated with emerging risks and how they affect the different geographies and businesses.</li> <li>Supervised the risks associated with the main corporate transformation programmes and their risk mitigation measures. In particular, it monitored the risks and controls associated with PagoNXT and Openbank, among others.</li> <li>Supported the board in conducting stress tests of Banco Santander through the assessment of scenarios and assumptions, analysing the results and the measures proposed by the Risk function. Ensured that the stress test programme was aligned with the EBA Guidelines 2018/04 on institutions' stress testing.</li> <li>Continued to focus on non-performing loans and non-performing assets performance during 2021, in particular considering the evolution of the portfolios under moratoria and their effect on credit provisions.</li> <li>Received and challenged periodic market and structural risk updates and counterparty risk reviews.</li> <li>Engaged on non-financial risks including legal risk, environmental and social risks (including climate), and vendor risk management, which remained key areas of focus.</li> <li>Monitored, in full coordination with the innovation and technology committee, risks stemming from technological obsolescence and cybersecurity. Received reports on major IT developments and projects.</li> <li>Monitored the post-Brexit situation including its risk effects over the UK and the Group, and the status of preparedness to reduce and mitigate such risks.</li> <li>Reviewed, supervised and challenged any strategic project before its submission to the board of directors.</li> <li>Coordinated with the responsible banking, sustainability and culture committee in the supervision and evaluation of (i) the alignment of risk appetite and limits with corporate culture and values; and (ii) the non-financial risks.</li> </ul>
Supervise the risk function	<ul style="list-style-type: none"> <li>Ensured the independence and efficacy of the Risk function.</li> <li>Assessed the Risk function (including its staffing and resourcing suitability) as well as the performance of the CRO in coordination with the remuneration committee, with the purpose of informing the board in order to set his variable pay.</li> <li>Reviewed new appointments for key positions for the Group and relevant subsidiaries for the Risk and Compliance and Conduct functions, in coordination with the nomination committee.</li> <li>Reviewed and supervised the annual Group CRO objectives.</li> </ul>
Collaboration to establish rational remuneration policies and practices	<ul style="list-style-type: none"> <li>Held a joint session with the remuneration committee to confirm that remuneration schemes factor in risk, capital and liquidity, and do not offer incentives to assume risks that exceed the level tolerated by Banco Santander in line with appropriate and effective risk management. The joint session also assessed the performance of the CRO and CCO.</li> <li>Analysed the factors used to determine the ex-ante risk adjustment of total variable remuneration assigned to the units, based on how previously assessed risks actually materialized, in conjunction with the remuneration committee.</li> <li>Reviewed the 2021 bonus pool and results of the exercise carried out annually to identify employees whose professional activities had a material impact on the Group's risk profile.</li> </ul>

**Duties****Actions taken****Capital and liquidity**

Assist the board in reviewing and approving capital and liquidity strategies and supervising their implementation

- Reviewed and challenged the annual ICAAP prepared by the Finance department and challenged by the Risk function in accordance with industry best practices and supervisory guidelines and submitted this report to the board for approval. Drew up a capital plan according to the scenarios envisaged over a three-year period.
- Endorsed the Pillar III disclosures report, which was submitted to the board for approval. The report described various aspects of the Group's management of capital and risk and provided an overview of the function; base capital and prescribed capital requirements; policies for managing the various risks undertaken by Banco Santander in regard to capital consumption; composition of the Group's portfolio and its credit quality (measured in terms of capital) and the roll-out of advanced internal models.
- Reviewed and challenged the ILAAP, developed in line with the Group's business model and submitted to the board for approval.
- Performed continuous monitoring of capital levels, and capital management and tools, including the 2021 securitizations plan and the analysis of the portfolio profitability versus the risk undertaken.

**Compliance and conduct**

Supervise the Compliance and conduct function

- Ensured the independence and efficacy of the Compliance and conduct function.
- Assessed the Compliance and conduct function (including its staffing and resourcing suitability) as well as the performance of the CCO (in coordination with the remuneration committee) to inform the board in order to set her variable pay.
- Reviewed and supervised the annual CCO objectives.
- Reviewed and followed up on the 2021 Compliance programme, including efforts to continuously improve the Compliance and conduct function.
- Reviewed and challenged the status of the compliance and conduct strategy.
- Received monthly reports on compliance and conduct matters as part of the risk and compliance monthly report, which cover regulatory issues, product governance and consumer protection, reputational risk, internal and external events, notifications and inspections by supervisors, updates on the One Financial Crime Compliance (*One FCC*) programme, among other matters.
- Held bi-annual specific private sessions with the CCO (in addition to other informal meetings) to discuss strategic compliance topics as well as to report independently and directly to the committee on any material issue relating to the compliance and conduct function, if needed.

Regulatory compliance

- Monitored compliance with regulatory requirements regarding:
  - The Dodd Frank Title VII update.
  - Adaptation of the Volcker Rule compliance programme in line with recent amendments introduced, continuing the oversight of this regulation.
  - The status of data protection under the GDPR, the contribution to determining the Euribor and the Code of Conduct.

Supervise the whistle-blowing channel (*Canal Abierto*)

- Received, in a joint meeting with the audit committee, the annual report on Canal Abierto, Santander's ethical channel model that helps consolidate the Group's "Speak up" culture through a work environment where employees can talk straight without fear of reprisal.

Financial crime compliance (FCC)

- Oversaw the Group's observance with FCC regulations as well as the activities carried out by the function. In particular:
  - Provided a quarterly update on progress with One FCC implementation strategy in Banco Santander and its subsidiaries.
  - Received recommendations and observations stemming from the annual independent expert report on Banco Santander in accordance with the Spanish Law 10/2010 and Royal Decree 304/2014 (on anti-money laundering and terrorism financing).

Product governance and consumer protection

- Received an update on the status of customers' complaints and associated action plans in place to address identified deficiencies.
- Reviewed an update about progress made on subsidiary action plans for internal sales force pay in the Group and a general overview of conduct risk from the external sales force, at a joint meeting with the remuneration committee.
- Received information on risk management and main risks identified, concerns, priorities and actions taken by the Product Governance and Consumer Protection (PGCP) function regarding the management and mitigation of conduct risk with retail customers, including product governance activity.

**Governance**

Corporate governance and internal governance

- Received quarterly updates on the matters discussed at the responsible banking, sustainability and culture committee by the chair of this committee. Furthermore, the CRO provided updates on the work of the risk control committee in his capacity as chair of that committee.
- In a joint session with the audit committee, reviewed the status of the internal audit plan and of the main recommendations of Santander, and an update on the internal audit works performed in relation to the risk corporate division.

**Regulators and supervisors**

Regulatory and supervisory relations

- Received regular updates on regulatory and supervisory relations and maintained focus on the most relevant developments related to the SSM, the Single Resolution Board (SRB), the supervisors of all the Group's subsidiaries and the Supervisory Review and Evaluation Process (SREP).

**Duties****Actions taken****Information for general meetings and corporate documents**

<b>Reporting to shareholders</b>	<ul style="list-style-type: none"> <li>At our 2021 AGM (held remotely), board secretary Jaime Pérez Renovales, and substituting Alvaro Cardoso de Souza as committee chair, reported to shareholders on the matters and activities within the committee's scope in 2020.</li> </ul>
<b>Corporate documents for 2021</b>	<ul style="list-style-type: none"> <li>Prepared this report on its activities in 2021, which includes a performance review of its assigned functions and key priorities for 2022 based on the assessment of the effectiveness of the board and its committees.</li> </ul>

**Annual assessment of the committee and its achievement of 2021 objectives**

In 2021, to follow up on the external review in 2020, an internal effectiveness review of our board practices was conducted and areas for improvement were identified. For more details about the internal review and its findings see 'Board assessment in 2021' in section [4.3](#).

The committee took the actions planned for 2021. Among the salient actions, it:

- Prioritized oversight of the Group's top risks, impacts and mitigation actions to ensure risks were appropriately managed and would remaining within the board-approved risk appetite limits.
- Examined emerging and non-traditional risks to anticipate key strategic changes in the business as discussed at its strategic meeting held in June 2021.
- Contributed to the role the Group played in proactively supporting economic recovery after the covid- 19 crisis, by overseeing the Group's credit - related policies to help our customers, while maintaining the strength of Banco Santander's capital and liquidity.
- Supervised core business units, geographies and new businesses (including new digital platforms), with an additional focus on emerging business that are relevant for the Group's strategy.
- Heightened coordinated action with other board committees to examine matters that concerned them holistically.
- Checked that the Risk and Compliance and conduct functions had effective and appropriately resources.

**2022 Priorities**

The committee set these priorities for 2022:

- Continuing to monitor the post-covid-19 landscape, especially macroeconomic conditions and their effect on loans, provisions and conduct or reputational risk.
- Overseeing the risks associated with certain strategic projects, especially ones relating to financial crime and money laundering prevention, cyber security, climate change, model risk, PagoNxt, Investment Platforms, Digital Consumer Bank and One Santander.
- Continuing to monitor the Group's top risks, early warning indicators, and mitigation actions in order to ensure risks are appropriately managed according to the Group's risk profile and remain with the board-approved risk appetite limits.
- Continuing to identify emerging and non-traditional risks in order to anticipate potential impacts on our business model. Those risks will be a topic of debate at the committee's annual strategic meeting, which follows up on its strategic meetings in 2020 and 2021.
- Maintaining close coordination with the board and its committees to ensure that risks are closely controlled and mitigated.
- Continuing to work on the committees' effectiveness to make sure it is discharging its duties with utmost efficacy.

#### 4.9 Responsible banking, sustainability and culture committee activities in 2021

'The committee continued to drive the responsible banking agenda in 2021 by assisting the board with oversight of strategy in sustainability.

In 2021 the committee assisted the board with setting the climate change strategy, a key enabler to achieve the net zero carbon strategy ambition by 2050. The committee continued to monitor Banco Santander's response to covid-19, focusing on the social impact of the pandemic and supporting employees, customers (especially the most vulnerable) and society as a whole.

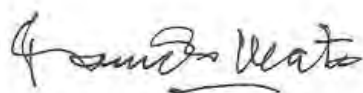
Sustainable finance and the green agenda remained key topics for the committee, which reviewed the measures being taken by Santander's main regions and businesses. The committee continued to oversee the core initiatives, targets and proposed metrics to drive the commitments on diversity and inclusion, ethical behaviour and responsible supplier practices. It revised environmental and risk management policies and standards on financing sensitive industries. It devoted time to reviewing annual report documents on responsible banking; revised ESG metrics proposals for the long-term incentives programme, LTIP; and made progress with the development of an internal taxonomy and data quality.

To improve awareness and effective execution of global initiatives, the Group held an inaugural responsible banking chairs' Convention in 2021 for the subsidiaries' responsible banking committee chairs to collaborate and share thoughts with a view to driving local traction on action plans aligned with Group expectations and goals. The Convention focused specifically on our ambition to be net zero in carbon emissions by 2050.

The committee has continued to work closely with the board of directors and main board committees to ensure that its work was fully coordinated and effective. I would like to take this opportunity to thank the committee members for their invaluable contributions during the year'.

##### Ramiro Mato

Chair of the responsible banking, sustainability and culture committee



This section is the report the responsible banking, sustainability and culture committee prepared regarding its activities on 21 February 2022. The board of directors approved it on 24 February 2022.

#### Composition

Position		Category	Appointed on
Chair	Ramiro Mato	Independent	01/07/2018 <sup>A</sup>
	Homaira Akbari	Independent	01/07/2018
Members	Álvaro Cardoso	Independent	24/07/2018
	Sol Daurella	Independent	01/01/2018
	Belén Romana	Independent	01/07/2018
Secretary	Jaime Pérez Renovales		

A. Committee chair since 1 July 2018.

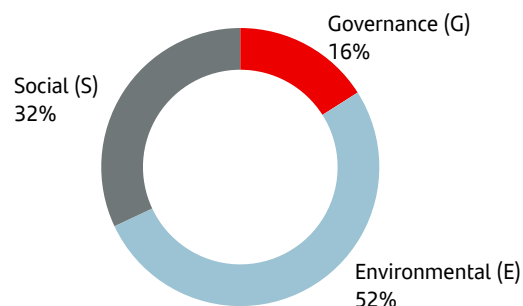
The board of directors appointed the committee's members based on their expertise, skills and experience regarding the matters it handles.

For more details, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

#### Time allocation

In 2021, the responsible banking, sustainability and culture committee held six meetings. 'Board and committee attendance' in section 4.3 provides information on members' attendance and the estimated average time each one spent on preparing for and participating in meetings.

The chart below shows the committee's approximate time allocation to each ESG criteria in 2021.



## Duties and activities in 2021

This section summarizes the responsible banking, sustainability and culture committee's activities in 2021 based on ESG criteria.

### Duties

### Actions taken

## Environmental (E)

### Sustainable banking

#### Environmental and climate change

- Considered the Group's climate change strategy in terms of how Banco Santander would deliver on its external commitments to align its portfolio with the Paris Agreement. Reviewed the proposed alignment of the electric power generation portfolio, the thermal coal targets and the proposed approach to creating a net zero carbon roadmap.
- Challenged the Group's public commitment to be net zero carbon by 2050. Reviewed progress made on climate projects, including the ambition to be net zero by 2050 and participation in the Net Zero Banking Alliance.
- Received presentations on the Climate Finance Report from the regional heads for Europe, North America and South America and from Santander Consumer Finance, Santander Wealth Management & Insurance and Santander Corporate Investment Banking (SCIB). The report, published in July 2021, highlighted key milestones and progress with the Group's climate ambitions.
- Reviewed and made observations on business proposals on climate change submitted by our entities in Europe, North America and South America and by Santander Consumer Finance, Santander Wealth Management & Insurance and Santander Corporate Investment Banking (SCIB).

#### Green finance

- Reviewed the green finance strategy and challenges and opportunities in Europe, North America and South America. Green finance is the increase in financial flows (banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to address sustainable development priorities. Aligned business strategies with objectives, commitments and regulatory requirements focusing on aiding customers' transition to carbon neutrality.
- Endorsed the main priorities for 2021, including our ambitions to be net zero, aid our customers' green transition and promote a green culture.
- Monitored the green bond issuances, the annual disclosure requirements regarding the use of proceeds and impacts achieved from assigned projects and endorsed the Banco Santander's 2020 Green Bond Report.

#### Internal Emission Offsetting Project

- Reviewed the 2021 emissions' offsetting corporate plan which enables the Group to continue being a carbon neutral organization through the offsetting of the emissions caused by its own activity.
- Monitored the carbon footprint compensation projects being implemented across the Group to ensure alignment with agreed commitments.

#### Regulatory landscape

- Continued to monitor the main regulatory initiatives of the sustainable finance framework that are relevant to Banco Santander, with a particular focus on Europe, due to heightened regulatory activity. The European sustainable finance framework has evolved rapidly in recent years to drive funds and investment to support the transition to a low carbon economy in 2050 and increase transparency on corporate business models and activities.

## Social (S)

### Inclusive banking

#### Sustainable finance

- Provided feedback on the Sustainable Finance Classification System to identify, measure and manage the volume of sustainable green and social financing activities. The Sustainable Finance Classification System aligns with regulatory reporting requirements. Approved guidelines for its implementation within the business.
- Reviewed SCIB's sustainable finance proposition, business opportunities and challenges, for customers interested in financing green and social projects. The significant progress on sustainable finance and notable transactions for SCIB were reviewed.

#### Support for higher education

- Reviewed the strategy, objectives and KPIs relating to Banco Santander' support for education, employability and entrepreneurship at universities. Banco Santander has become a leader in supporting higher education and intends to continue making it its flagship programme for investing in communities.

## Governance (G)

### Responsible banking strategy

#### Governance

- To ensure effective controls will be in place to mitigate risks and enhance opportunities regarding sustainability and responsible banking practices, the committee reviewed with other board committees matters concerning the corporate culture and values, responsible banking practices and sustainability within the board-approved guiding principles of responsible banking governance.
- Provided through regular read-outs an overview of the responsible banking agenda to other committees (like the board risk supervision, regulation and compliance committee) and to the board.
- Received regular updates on the responsible banking agenda from several units and corporate functions, to improve communication and ensure best practices are shared on a global basis.



## Duties

## Actions taken

### Materiality assessment and Responsible Banking commitments

- Considered the outcomes of the 2021 ESG Materiality assessment, an annual assessment conducted by the Responsible Banking team in coordination with other teams and an external consultant, that helps identify the most relevant ESG topics for the Group. Its results will ensure consistency between the Group's responsible banking priorities and public commitments.
- Continued to monitor developments in the Amazon and the associated actions being taken by the Group to mitigate negative environmental consequences therein.
- Reviewed the proposed responsible banking agenda for 2022-2025 and the associated commitments for 2025, to ensure they remain aligned with expectations.

### Responsible Banking initiatives

- Oversaw the restructuring of One Santander in Europe, so subsidiaries could share best responsible banking practices in downsizing.
- Monitored and assessed the Group's progress on its 11 public commitments to ensure that its KPIs remained relevant and aligned with committee expectations.
- Monitored and challenged ESG and responsible banking metrics in coordination with the remuneration committee to ensure alignment with market practice and increasing shareholder interest. Assisted the board in making sure the responsible banking objectives, metrics and commitments were embedded in the Group's remuneration schemes.

## Culture and values

### Corporate culture

- Coordinated with the remuneration committee on its review of the alignment of remuneration schemes with corporate culture and values.
- With the risk supervision, regulation and compliance committee, supervised and assessed (i) the alignment of risk appetite and limits with corporate culture and values and (ii) non-financial risks.
- Reviewed The Santander Way, which is our global culture approved by the board in January 2015, aligned with the Group's strategy and complementing Banco Santander's ambition to build a more responsible bank. Since 2015, a common language and behaviour has translated into our values of Simple, Personal and Fair (SPF) shared by all units. Our corporate policy is an important factor in developing consistent initiatives and enabling us to measure our values impact. Significant progress continues both globally and locally, with tangible results for our people, customers, shareholders and communities.
- Assisted the board in promoting and embedding corporate culture and values across the Group, monitoring adherence and ensuring that the corporate culture is consistent with the Group's purpose and values.

### SPF with employees

- Worked with the remuneration committee to advise the board on the design and implementation of the responsible banking scorecard (which forms part of the qualitative assessment of the bonus pool) to ensure that responsible banking targets, metrics and commitments were effectively embedded across the Group.
- Considered the Group's diversity and inclusion strategy and initiatives, together with the related targets for 2025 and discussed the action plan and approach towards each of the diversity dimensions relevant to the Group and provided feedback on Banco Santander's position in global rankings.
- Received an update on the talent management programme and wellbeing of employees throughout the Group.
- Ensured an overview of the 2021 global engagement survey included recommended actions. The purpose of the survey, now in its seventh year, is to garner employees' opinions on the best things about working at Banco Santander and areas of improvement. It enables the Group to draw up actions and initiatives to improve Banco Santander's employee engagement and ways of working.

### SPF with customers

- Received an update on the social impact of covid-19 on the Group's key stakeholders, especially its vulnerable customers. Considered the potential reputational risks associated to covid-19 and the proposed recommendations for dealing with customers.

### SPF with suppliers

- Reviewed the supplier action plan to include ESG standards in hiring procedures.

### SPF with general society

- Monitored the progress made with responsible banking communications and determined whether the four key responsible banking communication pillars of diversity and inclusion, financial empowerment, climate change and Santander Universities remained relevant. Shared priorities and analysed a common responsible banking approach. Considered opportunities to expand sustainable finance activities, with a strong focus on financial inclusion.

### Ethical considerations

- Reviewed and provided feedback on the proposed definition and scope of ethical behaviour within the Group to ensure ongoing fair business conduct.
- Agreed an action plan to ensure continuous improvement of our ethical behaviour governance and the application of best practices in our internal processes.
- Monitored the status of *Canal Abierto* whistleblowing channel, which contributes to the Group's cultural transformation by providing an anonymous way for employees to speak up, thus promoting our corporate behaviours. *Canal Abierto* (or a similar anonymous channel) is available in all Group units.
- Reviewed the internal artificial intelligence (AI) ethical principles which aim to foster using AI responsibly in a Simple, Personal and Fair way, ensuring the Group has common guidelines to abide by.

### Policies and frameworks

- Reviewed the environmental, social and climate change risk management policy, the general sustainability policy and other relevant responsible banking policies.
- Reviewed and endorsed a new responsible banking corporate framework for board approval that was established to promote a consistent approach across the Group.



**Duties****Actions taken****Stakeholder engagement**

<b>Non-financial information</b>	<ul style="list-style-type: none"> <li>Coordinated with the audit committee on its supervision and assessment of the preparation and presentation of non-financial information according to the applicable regulations and leading international standards.</li> <li>Reviewed the 2021 Group's statement of non-financial information, including the independent expert's report, which can be found in the '<a href="#">Responsible banking</a>' chapter of this annual report.</li> </ul>
<b>Stakeholder engagement - indexes and ratings</b>	<ul style="list-style-type: none"> <li>Considered Banco Santander's positioning in global sustainability indexes.</li> <li>Challenged the strengths, gaps and focus points in relation to Banco Santander's ranking with ESG rating providers. Reviewed the action plan after engaging with investors on ESG matters.</li> </ul>

**Information for general meetings and corporate documents**

<b>Corporate documents for 2021</b>	<ul style="list-style-type: none"> <li>Prepared this report on its activities in 2021, which includes a performance review of its assigned functions and key priorities for 2022, based on the assessment of the effectiveness of the board and its committees.</li> </ul>
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**Annual assessment of the committee and its achievement of 2021 objectives**

In 2021, to follow up on the external review in 2020, an internal effectiveness review of our board practices was conducted and areas for improvement were identified. For more details about the internal review and its findings see 'Board assessment in 2021' in section [4.3](#).

The committee took the actions planned for 2021. In particular, it:

- Assisted the board in setting the climate change strategy, by endorsing a net zero carbon ambition for 2050, and continued to monitor risks and opportunities to develop sustainable finance proposals for a low-carbon economy.
- Continued to oversee responses to the covid-19 crisis, including the status of payment holidays upon expiry, vulnerable customers and the Recovery and collection functions, ensuring responsible banking practices were embedded in Banco Santander's customer-centric strategy.
- Continued to monitor and provide feedback on the initiatives, targets and metrics to fulfil the public commitments on diversity and inclusion, financial inclusion, talent management and ethical behaviour.
- Focused on promoting diversity and inclusion and continued to oversee how Banco Santander's culture, including SPF values, were embedded throughout the Group.
- Monitored the announcements of the Group's progress and achievements that enhance our reputation as one of the world's most sustainable banks.

- Continuing to assist the board in monitoring the development of the *Banco Santander Finance for All* proposition, which aims to foster financial empowerment among the unbanked, underbanked and vulnerable customers.
- Overseeing the implementation of the strategic diversity and inclusion plan; progress with embedding our culture across the Group; and improvements in conduct, ethical behaviour, customer experience and satisfaction.
- Continuing to assist the board in monitoring the implementation of enablers to further embed ESG in the business and business-as-usual, including Banco Santander's performance of our public responsible banking commitments and KPIs.
- Focusing on ensuring the new corporate Responsible Banking framework is effectively embedded throughout the Group.
- Overseeing the work undertaken with regulators on the stress test exercises relevant to the committee's remit especially climate risk.
- Becoming leaders in ESG to support our customers in the transformation to a more sustainable business model.

**2022 Priorities**

The committee set these priorities for 2022:

- Continuing to advise the board on the climate change strategy and Banco Santander's ambition to be net zero by 2050. The committee will oversee the proposed actions to align with the Task Force on Climate - Related Financial Disclosure (TCFD) recommendations, including the introduction of targets to reduce its exposure to certain climate-intensive industries and the decarbonization strategy and commitments.
- Maintaining assistance to the board in monitoring the development of green and sustainable finance propositions across the Group, aiding our customers' transition to a low-carbon economy and helping fulfil our public responsible banking commitments and regulatory requirements.

#### 4.10 Innovation and technology committee activities in 2021

'Throughout 2021, the committee oversaw the IT Strategy, which aims to integrate key digital capabilities in a new operating model based on global products definition and a common architecture. Its main focus has been to ensure that the strategy enables business initiatives by partnering with global businesses and supporting functions, reducing risks and improving cost efficiency.

Cybersecurity strategy has also remained a top priority for the committee, covering Banco Santander's cyber progress and position, key trends and threat horizon and key strategic cyber-security pillars and initiatives for the Group, which gained significance due to the pandemic and emerging cyber trends.

Additionally, the committee oversaw the update on the Models & Data unit, in order to maximize the potential from information with advanced analytics models to generate business value, manage risks and support innovation across the Group in a responsible way'.

##### R Martín Chávez

Chair of the innovation and technology committee



This section is the report on the activities of the innovation and technology committee, as approved by the board of directors on 24 February 2022.

##### Composition

Position		Category	Appointed on
Chair	R Martín Chávez	Independent	27/10/2020 <sup>A</sup>
Members	Ana Botín	Executive	23/04/2007
	Homaira Akbari	Independent	27/09/2016
	José Antonio Álvarez	Executive	23/02/2015
	Bruce Carnegie-Brown	Independent	23/02/2015
	Henrique de Castro	Independent	23/07/2019
	Belén Romana	Independent	19/12/2017
Secretary	Jaime Pérez Renovales		

A. Committee chair since 22 December 2020.

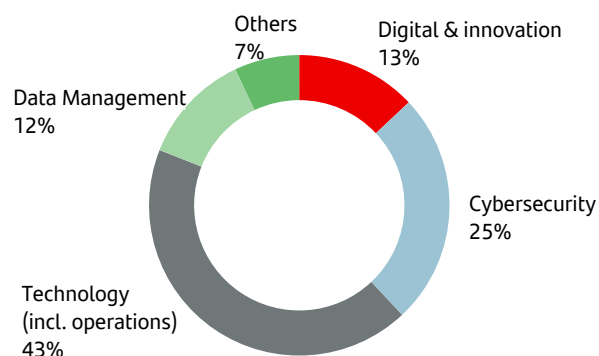
The board of directors appointed the committee's members based on their expertise, skills and experience regarding the matters it handles.

For more information, see section [4.1 'Our directors'](#) and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section [4.2](#).

##### Time allocation

In 2021, the innovation and technology committee held four meetings. 'Board and committee attendance' in section [4.3](#) provides information on members' attendance and the estimated average time each one spent on preparing for and participating in meetings.

The chart below shows the committee's approximate time allocation to each function in 2021.



## Duties and activities in 2021

This section summarizes the innovation and technology committee's activities in 2021.

Duties	Actions taken
<b>Innovation</b>	
<b>Innovation framework</b>	<ul style="list-style-type: none"> <li>Reviewed the implementation of the Group's strategic technology plan and innovation agenda; and identified the Group's main challenges and capabilities in innovation.</li> <li>Identified opportunities for faster innovation across the Group and increased the likelihood of success in new business models, technologies, systems and platforms.</li> </ul>
<b>Cybersecurity</b>	
<b>Cybersecurity</b>	<ul style="list-style-type: none"> <li>Supervised defences against the increasing threat environment, reviewed security controls and automated security processes.</li> <li>Analysed the high-profile cyber incidents in Banco Santander and other well-known companies.</li> <li>Received quarterly updates on cybersecurity risks, with a special focus on internal data leakage protection and such external threats as ransomware, in coordination with both the board of directors and the risk supervision, regulation and compliance committee. Assisted the board in the supervision of technological risks and cybersecurity.</li> <li>Reviewed Santander's cyber vision for 2025, focusing on three pillars, namely: levelling the "cyber battlefield" with criminals through deterrence, offensive disruption and deception techniques; defending the hyper-connected bank of the future to protect the distributed digital platforms and ecosystems; and generating value and trust for stakeholders, customers and society through commercial cyber solutions, customer engagement and collective response.</li> <li>Analysed the systems supporting core financial crime compliance processes to satisfy new regulation and align them with Banco Santander's business strategy based on best practices and standards.</li> <li>Received updates about employee training, internal and external cyber awareness campaigns and other related key areas.</li> </ul>
<b>Digital</b>	
<b>Digital</b>	<ul style="list-style-type: none"> <li>Boosted collaboration between subsidiaries, business units and the Technology and Operations (T&amp;O) function on digital initiatives, which it oversaw.</li> <li>Monitored metrics in connection with the digital evolution and associated transformation, as operations outflows, cost-to-income ratio, number of applications, cost per transaction, digital technical transaction, machine learning impact, number of application programming interfaces (BaaS APIs) and tech talent.</li> <li>Reviewed core digital strategies to transform business and accelerate the growth of new businesses.</li> </ul>
<b>Technology and operations</b>	
<b>Technology and operations</b>	<ul style="list-style-type: none"> <li>Reviewed the global technology strategy plan and reported to the board on technology and operations (T&amp;O) planning and activities.</li> <li>Endorsed the Group's core strategic technology priorities, especially in terms of 'agile', cloud, core system evolution, deep technology skills (APIs, AI, and other matters); oversaw the roll-out of a new operating model and a common architecture, and reduced technology risk.</li> <li>Ensured T&amp;O strategy properly focused on the Group's relevant issues and priorities.</li> <li>Received updates on the international advisory board's deliberations about technological, innovation, cyber, talent and new financial trends.</li> </ul>
<b>Data management</b>	
<b>Data management</b>	<ul style="list-style-type: none"> <li>Received updated information on the Models &amp; Data unit's priorities for the year, to stay fully apprised on the models and data value chain for business growth and customer experience, risk control improvement, model and data development and data and artificial intelligence ethical principles definition and use.</li> <li>Assessed the adequacy of the resources of the Data function and possible new regulations, validating their appropriateness and readiness for the Group and at local level.</li> </ul>

## Annual assessment of the committee and its achievement of 2021 objectives

In 2021, to follow up on the external review in 2020, an internal effectiveness review of our board practices was conducted and areas for improvement were identified. For more details about the internal review and its findings see 'Board assessment in 2021' in section [4.3](#).

The committee took the actions planned for 2021. Among the salient actions, it:

- Continuously reviewed the Group's innovation strategy, especially in regard to a business-oriented T&O transformation model.
- Prioritized digital strategy through the implementation of multidisciplinary projects for the Group.

- Continue to strengthen response measures and innovation to react to an environment of ever-changing threats.

- Reviewed and discussed new trends and regulations on data management and analytical capabilities in the Group's businesses, based on the international advisory board's feedback.

## 2022 Priorities

The committee set these priorities for 2022:

- Assisting the board of directors with the Group's innovation strategy, and with trends arising from new business models, technology and products.

- Reviewing the effectiveness of data management and analytics, as enablers for the Group to fulfil strategic priorities.
- Supervising activities to continue strengthening the Group's cyber response and constant innovation to manage the changing threats.
- Continuing to assess and provide suggestions on initiatives, targets, commitments, KPIs, and proposed metrics on cross-projects relating to the Group's digital strategy, which will remain a key priority.

## 4.11 International advisory board

### Members

The members are all external and not members of the board.

Composition	Positions
Chair	Larry Summers
	Former Secretary of the US Treasury and president emeritus of Harvard University
	Sheila C. Bair
	Former chair of the Federal Deposit Insurance Corporation and former president of Washington College
	Mike Rhodin
	Supervisory board member of TomTom and director of H2O. Former IBM Watson senior vice president
	Francisco D'Souza
	Director of General Electric. Former CEO of Cognizant
	James Whitehurst
	Special advisor to IBM. Former chair and CEO of Red Hat, former chief operating officer of Delta Air Lines and former partner of The Boston Consulting Group
Members	George Kurtz
	CEO and co-founder of CrowdStrike. Former chief technology officer of McAfee
	Nadia Schadow
	Former deputy National Security Advisor for Strategy and former Assistant to the President of the United States
	Andreas Dombret
	Former board member of Deutsche Bundesbank, former vice chair of Bank of America in Europe and former director of Bank for International Settlements
Secretary	Jaime Pérez Renovaes

### Functions

Banco Santander's international advisory board was formed in 2016 to provide strategic insight into future challenges and opportunities for the group's businesses, particularly in respect of innovation, digital transformation, cybersecurity and new technologies, capital markets, corporate governance, brand and reputation and regulation and compliance.

Its members are prominent and respected leaders who possess extensive experience with strategic challenges and opportunities, particularly in terms of innovation, digital transformation and the US and European markets.

### Meetings

The international advisory board meets at least twice a year. In 2021, it met in February, May and October.

### Rationale

The international advisory board affords the Group structured and recurrent insights from international leaders who, due to other commitments, are not able to support it as board members.

## 4.12 Related-party transactions and conflicts of interest

### Related-party transactions

#### Directors, senior managers and significant shareholders

This subsection includes the report on related-party transactions mentioned under recommendation six of the Spanish Corporate Governance Code.

On 27 July 2021, the board amended the Rules and regulations of the board to adapt them to the new provisions on related-party transactions in Act 5/2021, of 12 April, (amended text of the Spanish Companies Act). See 'Rules and regulations of the board' in section 4.3.

Pursuant to the Rules and regulations of the board (as adapted to the new legal regime), the following bodies must authorise transactions between Banco Santander, S.A. or its subsidiaries and directors; shareholders who hold at least 10% of voting rights or sit on the board; and with other parties considered 'related parties' under the International Financial Reporting Standards:

- The general meeting, in regard to related-party transactions that amount to 10% or more of the assets listed on the last consolidated balance sheet.
- The board of directors, in regard to the other types of related-party transactions.

However, on 27 July 2021, the board of directors (on the audit committee's recommendation) voted to delegate to executive bodies, committees and competent proxies the approval of related-party transactions that simultaneously meet these legal requirements:

- are carried out under agreements with basic standard terms that usually apply to customers contracting the product or service in question;
- are entered into prices or rates set by the party acting as supplier of the goods or service in question, or arm's length terms and conditions for commercial relations with similar customers, where the goods or services are not subject to set rates that already exist; and
- they do not exceed 0.5% of Banco Santander's net annual income as appears in the last consolidated annual accounts approved at the general shareholders' meeting.

Likewise, the board approved an internal authorization, reporting and regular monitoring procedure, involving the audit committee, to confirm that transactions approved by virtue of the board's delegation are fair and transparent and meet the standards that apply in the above-mentioned exceptions. The procedure requires a permanently up-to-date list of natural and legal persons concerned in related-party transactions.

Lastly, the board also approved certain categories of related-party transactions and established ideal conditions to protect company and shareholder interests. Related-party transactions will be assessed to

make sure they are fair and reasonable to Banco Santander and all shareholders but the related party.

If a related-party transaction must be approved at the general meeting or by the board, the audit committee must issue a preliminary report about it in accordance with the law. That preliminary report will not be necessary for related-party transactions approved by virtue of the board's delegation.

Board members must refrain from deliberating and voting on resolutions with which they or their related parties have a direct or indirect conflict of interest.

In 2021, following due diligence, no director or any other related parties according to International Financial Reporting Standards carried out transactions deemed "significant" (i.e. material to Santander and the related party) or under non-market conditions.

The audit committee confirmed that all related-party transactions in 2021 were performed correctly, after reviewing whether they complied with the law, the Rules and regulations of the board and with the conditions set forth by the board, as mentioned in the audit committee activities report under section [4.5 'Audit committee activities in 2021'](#).

Banco Santander also has a policy for the admission, authorisation and monitoring of loans, credits and guarantees for directors and senior managers. It sets out the procedure in place for risk transactions of which they or their related parties like spouse or other person with similar relationship; minor children or those of legal age who are economically dependent; or companies controlled by directors or senior managers whose activity is limited to the mere holding of assets and the management of personal or family assets.

Furthermore, it outlines general rules in terms of maximum borrowing, interest rates and other similar conditions to those that apply to other employees. In accordance with this policy and with banking regulations, the policy provides that loans, credits or guarantees to be granted to Banco Santander's directors and senior managers (or to their related parties) must be authorised by the board and subsequently by the ECB, except in the cases listed below:

- Transactions are subject to a collective agreement signed by Banco Santander, with similar conditions to those of transactions granted to any employee.
- Transactions are carried out under agreements with standard conditions that generally apply to a large number of customers, provided that the amount granted to the beneficiary or its related parties does not exceed EUR 200,000.

Note [5.f](#) of the 'consolidated financial statements' lists the Grupo Santander's direct risks in the form of loans, credits and guarantees extended to directors in the ordinary course of business as of 31 December 2021. The terms and conditions of these transactions are the same as those performed under market conditions or applied to other employees, and the corresponding benefits in kind are imputed to them, where applicable.

### Intra-group transactions

Under new laws, Banco Santander's transactions with its direct or indirect wholly-owned subsidiaries and with other subsidiaries or investees will not be considered related-party transactions provided that no related party holds an interest in them. The rules, approval bodies and procedures that apply to intragroup transactions are the

same as for transactions with customers to make sure they are conducted at market prices and conditions.

Therefore, Santander maintains control of any subsidiaries or investees that might be affected by potential related-party transactions.

Note [52](#) ('Related parties') in the consolidated financial statements and note 47 ('Related parties') in the individual financial statements specify the amounts of the transactions with other Group entities (subsidiaries, associates and jointly-held entities), directors, senior managers and related parties.

### Conflicts of interest

Banco Santander has standards and procedures to prevent conflicts of interest resulting from our activities and functions, or between us and our directors and senior managers. We also have an internal policy that provides the Grupo Santander's employees, directors and entities with criteria to prevent and manage conflicts of interest resulting from their activities.

### Directors and senior managers

Our directors must adopt the necessary measures to avoid situations in which their direct or indirect interests may enter into conflict with corporate interests or their obligation towards Banco Santander.

Directors' duty to avoid conflicts of interest requires them to fulfil certain obligations, and they must refrain from using the Banco Santander name or their role to exert undue influence on private transactions. They cannot use corporate assets and confidential information for private purposes, nor take advantage of Banco Santander's business opportunities. Moreover, they are barred from obtaining benefits or remuneration (other than courtesies) from third parties in connection with their role; or carrying out activities, on their own behalf or that of others, that place them in a situation of effective or potential competition or permanent conflict with Banco Santander.

Directors must report direct or indirect conflicts of interest they or their related parties may have with Banco Santander to the board. Such conflicts will be disclosed in the financial statements.

In 2021, no director reported having any conflict of interest with the Group, even though these 39 abstentions occurred in votes on matters deliberated at board and committee meetings. In 12 instances, directors abstained owing to resolutions to appoint or re-elect directors, or to be appointed them to board committees or to the boards of Santander companies. In 13 instances, the matter under consideration related to remuneration, loans or credits. In 4 instances, the matter was a transaction between Banco Santander and a company related to a director. In 9 instances, directors abstained regarding the annual verification of their status and suitability. In one instance, the director's position at the meeting meant he was unable to take part in deliberations.

As directors and senior managers are subject to the Policy on conflicts of interest and the Code of Conduct in Securities Markets, they must provide the Compliance function with a statement on any relations they hold, which they must keep up to date. Directors and senior managers must also report any potential conflict of interest owing to their relations or any other reason to the Compliance function. Furthermore, where a conflict does exist, they must abstain from making decisions or casting votes, in addition to notifying anyone who is to take the respective decision.

The chief officer of the area in question is responsible for resolving conflicts of interest. Conflicts that involve several areas must be resolved by the common senior officer. However, if none of the foregoing rules apply, the Compliance function will designate someone to resolve the conflict. In the event of doubt, the Compliance function is consulted.

The Code of Conduct in Securities Markets describes control mechanisms and bodies for resolving conflicts of interest related to securities markets. This code can be found on the Grupo Santander's corporate website. It dictates that directors, senior managers or related parties may not carry out (i) counter-transactions on Grupo Santander's securities within 30 days from the time they are acquired or sold; or (ii) transactions on Grupo Santander securities 30 days before the quarterly, half-year or annual results are announced and until they are published.

**Group companies**

Because Banco Santander is the only group company listed in Spain, no mechanisms must be in place to resolve conflicts of interest with subsidiaries listed in Spain.

If such conflicts do arise, Banco Santander, as the parent company, must consider the interests of all its subsidiaries and how they contribute to the long-term interest of the entire group. Subsidiaries should also consider the interests of Grupo Santander examine how the decisions they take may affect the Group.

Banco Santander, as the parent company of Grupo Santander, structures the governance of the Group through a system of rules that guarantees the existence of rules of governance and an adequate control system, as described in section [7. 'Group structure and internal governance'](#).

## 5. Management team

The table below shows the profiles (Senior Executive Vice President —SEVP—) of the Banco Santander's senior managers (other than the executive directors described in section [4.1 'Our directors'](#)) as of 31 December 2021.

<b>Alexandra Brandão</b>	<b>GLOBAL HEAD OF HUMAN RESOURCES</b>	Born in 1978, Alexandra Brandão joined Grupo Santander in 2003 as head of Products and Services for Individuals at Santander Totta. From 2012 to 2016, she was global head of Knowledge and Development at the Grupo Santander Corporate Centre; head of Human Resources from 2016 to 2018; and head of Commercial Management and Segments at Santander Portugal from 2019 to 2020. Since February 2021, she has been global head of Human Resources.
<b>Juan Manuel Cendoya</b>	<b>GROUP HEAD OF COMMUNICATIONS, CORPORATE MARKETING AND RESEARCH</b>	Born in 1967, Juan Manuel Cendoya joined Banco Santander in July 2001 as group senior executive vice-president and head of the Communications, Corporate Marketing and Research division. In 2016, Mr Cendoya was appointed vice-chair of the board of directors and head of Institutional and Media Relations of Santander España. He is also a member of the board of directors of Universia España Red de Universidades, S.A. Previously, he had been head of the legal and tax department of Bankinter, S.A. He is a state attorney and a non-executive director at Arena Communications Network, S.L.
<b>José Doncel</b>	<b>GROUP HEAD OF ACCOUNTING AND FINANCIAL CONTROL - GROUP CHIEF ACCOUNTING OFFICER</b>	Born in 1961, José Doncel joined Grupo Santander in 1989 as head of Accounting. Previously, he had served as head of accounting and financial management at Banco Español de Crédito, S.A. (Banesto) (1994-2013). Mr Doncel was appointed senior executive vice-president and head of the Internal Audit division in 2013 and group head of Accounting and Financial Control - group chief accounting officer - in 2014.
<b>Keiran Foad</b>	<b>GROUP CHIEF RISK OFFICER</b>	Born in 1968, Keiran Foad joined Grupo Santander in 2012 as deputy chief risk officer at Santander UK. Previously, he held risk and corporate leadership roles at Barclays Bank plc (1985-2011) and served as chief risk officer at Northern Rock plc. In 2016, he was appointed senior executive vice-president and deputy chief risk officer of Banco Santander until his appointment in 2018 as group chief risk officer.
<b>José Antonio García Cantera</b>	<b>GROUP CHIEF FINANCIAL OFFICER</b>	Born in 1966, José Antonio García joined Grupo Santander in 2003 as senior executive vice-president of Global Wholesale Banking of Banco Español de Crédito, S.A. (Banesto). In 2006, he was appointed chief executive officer of Banesto. Previously, Mr García had served on the executive committee of Citigroup EMEA, as well as the board of directors of Citigroup Capital Markets Int, Ltd. and Citigroup Capital Markets UK. In 2012, he was appointed senior executive vice-president of Global Corporate Banking. In 2015, he was appointed group chief financial officer.
<b>Juan Guitard</b>	<b>GROUP CHIEF AUDIT EXECUTIVE</b>	Born in 1960, Juan Guitard joined Grupo Santander in 1997 as head of Human Resources at Santander Investment, S.A. Previously, he had been general counsel and secretary of the board of Santander Investment, S.A. and Banco Santander de Negocios, S.A. In 2013, Mr Guitard was head of Banco Santander's Risk division. In November 2014, he was appointed head of the Internal Audit division - group chief audit executive. He is also a state attorney.



<b>José María Linares</b>	<b>GLOBAL HEAD OF CORPORATE &amp; INVESTMENT BANKING</b>	Born in 1971, José María Linares joined Grupo Santander in 2017 as senior executive vice-president and global head of Corporate and Investment Banking. Previously, he served as an equity analyst at Morgan Stanley & Co. New York (1993-1994). He worked as senior vice-president and senior Latin America telecom equity analyst at Oppenheimer & Co. New York (1994-1997), as well as senior director Latin America TMT equity analyst at Société Générale, New York & São Paulo (1997-1999). Mr Linares joined J.P. Morgan in 1999 and was subsequently appointed managing director and head of Global Corporate Banking at J.P. Morgan Chase & Co. (2011-2017).
<b>Mónica López-Monís</b>	<b>GROUP HEAD OF SUPERVISORY AND REGULATORY RELATIONS</b>	Born in 1969, Mónica López-Monís joined Grupo Santander in 2009 as general counsel and secretary of the board of Banco Español de Crédito, S.A. (Banesto). Previously, she had been general counsel at Aldeasa, S.A. and Bankinter, S.A., as well as independent director at Abertis Infraestructuras, S.A. In 2015, Ms López-Monís was appointed senior executive vice-president of Santander and group chief compliance officer until her appointment in 2019 as group head of Supervisory and Regulatory Relations. She is a state attorney.
<b>Javier Maldonado</b>	<b>GROUP HEAD OF COSTS</b>	Born in 1962, Javier Maldonado joined Grupo Santander in 1995 as head of the International Legal division of Banco Santander de Negocios, S.A. Mr Maldonado held several roles at Santander UK and in 2014 was appointed senior executive vice-president of Santander and head of Coordination and Control of Regulatory Projects until his appointment in 2015 as group head of Costs.
<b>Dirk Marzluf</b>	<b>GROUP HEAD OF TECHNOLOGY AND OPERATIONS</b>	Born in 1970, Dirk Marzluf joined Grupo Santander in 2018 as senior executive vice-president and head of IT and Operations. Previously, he had served as CIO at AXA Group since 2013, leading the insurance group's technology and information security transformation and co-sponsoring its digital strategy. Mr Marzluf also held global roles at Accenture, Daimler Chrysler and Winterthur Group.
<b>Víctor Matarranz</b>	<b>GLOBAL HEAD OF WEALTH MANAGEMENT &amp; INSURANCE</b>	Born in 1976, Víctor Matarranz joined Grupo Santander in 2012 as head of Strategy and Innovation at Santander UK. In 2014, he was appointed senior executive vice-president and head of the Executive Chairman's Office and Strategy until his appointment in 2017 as global head of Wealth Management & Insurance. Previously, Mr Matarranz had held several roles at McKinsey & Company, where he had become partner.
<b>José Luis de Mora</b>	<b>GROUP HEAD OF STRATEGY AND CORPORATE DEVELOPMENT AND OF CONSUMER FINANCE (SANTANDER CONSUMER FINANCE)</b>	Born in 1966, José Luis de Mora joined Grupo Santander in 2003. Since then, he has been in charge of the group's Strategic Plan Development and Acquisitions. In 2015, he was appointed group senior executive vice-president and group head of Financial Planning and Corporate Development. He was appointed head of Santander Consumer Finance on 1 January 2020 and CEO of the same entity on 17 December 2020.
<b>Jaime Pérez Renovales</b>	<b>GROUP HEAD OF GENERAL SECRETARIAT</b>	See profile in section <a href="#">4.1 'Our directors'</a> .
<b>António Simões</b>	<b>REGIONAL HEAD OF EUROPE AND COUNTRY HEAD OF SANTANDER ESPAÑA</b>	Born in 1975, António Simões joined Grupo Santander in 2020 as regional head of Europe and he was appointed country head of Santander España in 2021. He was previously at HSBC, where he held roles including chief executive officer of global private banking, member of the group management board and group executive committee, and chief executive of HSBC Bank plc and chief executive of Europe, encompassing all UK and European operations for HSBC Group.
<b>Marjolein van Hellemont-Gerdingh</b>	<b>GROUP CHIEF COMPLIANCE OFFICER</b>	Born in 1964, Marjolien van Hellemont-Gerdingh joined Santander Group in 2019 as senior executive vice-president and chief compliance officer. Previously, she had been chief compliance officer of several banking and financial entities such as NN Group, Zurich Insurance Company and De Lage Landen International B.V.

# 6. Remuneration

Sections [6.1](#), [6.2](#), [6.3](#), [6.5](#), [6.6](#), [6.7](#), [9.4](#) and [9.5](#) comprise the annual report on directors' remuneration that must be prepared and submitted to the consultative vote of the general shareholders' meeting.

In addition, section [6.4](#) y [6.5](#) sets out the directors' remuneration policy for 2022, 2023 and 2024, which is to be put to a vote at the general shareholders' meeting, which is binding.

The annual report on directors' remuneration and the directors' remuneration policy for 2022, 2023 and 2024 were approved by our board of directors on 24 February 2022. All directors were present at the time of vote casting and voted in favour.

The remuneration policy for directors in force as of the date of this report is available on our corporate website (2020 Annual Report, Corporate Governance, chapter 6: Remuneration).

## 6.1 Principles of the remuneration policy

### Director remuneration in their capacity as such

The board of directors sets the individual remuneration of directors (including executive directors) for the performance of supervisory and collective decision-making duties within the amount fixed by shareholders and commensurately with the roles they perform on the collective decision-making body, their committee membership and attendance, and other objective circumstances the board might consider.

### Remuneration of directors for executive duties

Banco Santander's remuneration policy for executive duties (which also generally applies to Banco Santander employees) dictates that:

1. Remuneration must be in line with shareholders' interests, conducive to creating long-term value and compatible with our rigorous risk management, long-term strategy and values.
2. Fixed remuneration must make up a significant proportion of total compensation.
3. Variable remuneration must reward individuals for their role in achieving set goals within the framework of prudent risk management.
4. The global remuneration package and its structure must be competitive in order to attract and retain talent.
5. Remuneration decisions must be free of conflicts of interest and discrimination of any kind different from that based on the performance assessment of objectives and corporate behaviours.

Remuneration must be free of gender-based bias and help eliminate inequalities that could result from it.

The remuneration elements the policy lays down include necessary mechanisms to ensure remuneration will be conducive to achieving strategic and long-term sustainability objectives of the Bank.

Accordingly, it bases executive directors and senior managers' variable pay on pre-determined, specific and quantifiable financial, sustainability-based and value-creation targets that are consistent with Banco Santander's interests, including in regard to environmental, social and governance matters.

For more details, see section [6.3](#) about the policy's application in 2021 and section [6.4](#) about the remuneration policy for 2022 and subsequent years.

Lastly, the remuneration committee and the board enlisted the assistance of Willis Towers Watson to:

- Compare markets and entities similar to the Group in size, characteristics and operations using relevant data for setting remuneration.
- Analyse and confirm compliance with certain quantitative metrics required to evaluate accomplishment of objectives.
- Estimate the fair value of variable remuneration linked to long-term objectives.
- Advise in the update to the remuneration policy described in section [6.4](#).

## 6.2 Remuneration of directors for supervisory and collective decision-making duties: policy applied in 2021

### A. Composition and limits

According to our Bylaws, the remuneration of directors in their roles consists of a fixed annual amount set at the general shareholders' meeting. This amount remains in effect until shareholders vote to amend it, even though the board may reduce it in the years it deems appropriate. At the annual general shareholders' meeting, remuneration for 2021 was set at EUR 6 million, which included (a) annual allotment and (b) attendance fees.

Santander has taken out a civil liability insurance policy for directors subject to usual terms proportionate to its circumstances.

Directors can receive shares, share options or other forms of share-based compensation, subject to prior approval at the general meeting. Directors can also receive other compensation following a proposal made by the remuneration committee and upon resolution by the board of directors, as may be deemed appropriate, in consideration for the performance of other duties in Banco

Santander, whether they are executives duties or not, in addition to their oversight and collective decision-making as board members.

Non-executive directors do not have the right to receive any benefit on the occasion of their removal from office.

## B. Annual allotment

Each director received the amounts for serving on the board and its committees and positions held in them included in the chart below for 2020 and 2021.

As regards 2020, on 5 May 2020, as a gesture of responsibility in view of the situation created by the health emergency, the board of directors agreed to reduce their allotments by 20% for the balance of 2020, with effect from 1 April 2020, and propose that amounts saved thereby be used to finance the initiatives of Banco Santander to fight against the covid-19 pandemic.

In accordance with the remuneration policy approved at the general shareholders' meeting on 26 March 2021, the amounts for serving and holding roles on the board and committees was the same amount as initially approved for 2020, adding that the innovation and technology committee began to be remunerated, with its members receiving EUR 25,000 and its Chair, an additional EUR 70,000. Applicable amounts were:

Amount per director in euros	2021	2020	
		1 Jan to 31 Mar	1 Apr to 31 Dec
Members of the board of directors	90,000	22,500	49,500
Members of the executive committee	170,000	42,500	93,500
Members of the audit committee	40,000	10,000	22,000
Members of the appointments committee	25,000	6,250	13,750
Members of the remuneration committee	25,000	6,250	13,750
Members of the risk supervision, regulation and compliance committee	40,000	10,000	22,000
Members of the responsible banking, sustainability and culture committee	15,000	3,750	8,250
Members of the innovation and technology committee	25,000	—	—
Chairman of the audit committee	70,000	17,500	38,500
Chairman of the appointments committee	50,000	12,500	27,500
Chairman of the remuneration committee	50,000	12,500	27,500
Chairman of the risk supervision, regulation and compliance committee	70,000	17,500	38,500
Chairman of the responsible banking, sustainability and culture committee	50,000	12,500	27,500
Chairman of the innovation and technology committee	70,000	—	—
Lead director <sup>A</sup>	110,000	27,500	60,500
Non-executive vice chairmen	30,000	7,500	16,500

A. Since 2015, Bruce Carnegie-Brown has been allocated EUR 700,000 in minimum total annual pay (including annual allowances and attendance fees) for his services to the board and its committees, particularly as chair of the nomination and remuneration committees and as lead independent director; and for the required time and dedication to perform these roles. However, in line with the board of directors' decision (shared by Bruce Carnegie-Brown) to reduce their allotments and fees from 1 April 2020 to 31 December, the same reduction was applied to that amount. Accordingly, his allotment for 2020 was EUR 595,000.

## C. Attendance fees

Pursuant to resolutions approved by the board on the remuneration committee's recommendations, attendance fees for board and committees meetings (not including the executive committee, for which no fees are set) totalled the amounts included in the chart below for the last two years.

As regards 2020, on 5 May 2020, as a gesture of responsibility in view of the situation created by the health emergency, the board of directors agreed to reduce their attendance fees by 20% for the balance of 2020, with effect from 1 April 2020, and propose that the amounts saved thereby be used to finance the initiatives of Banco Santander to fight against the covid-19 pandemic. For 2021, in the same manner as with the annual allotment, the board voted to keep the same amounts set out in the 2020 policy before the exceptional decision above, and, as foreseen in the remuneration policy approved at the general shareholders' meeting on 26 March 2021, attendance fees for innovation and technology committee members were added.

Attendance fees per director per meeting in euros	2021	2020	
		1 Jan to 31 Mar	1 Apr to 31 Dec
Board of directors	2,600	2,600	2,080
Audit committee and risk supervision, regulation and compliance committee	1,700	1,700	1,360
Other committees (excluding executive committee)	1,500	1,500	1,200

## D. Breakdown of bylaw-stipulated emoluments

Total director bylaw-stipulated emoluments and attendance fees received in 2021 amounted to EUR 4,8 million (EUR 4,1 million in 2020). This is 20% less than the amount approved at the general meeting. Each director earned the following amounts for these items:

			Amount in euros											
			2021										2020	
			Annual allotment								Total	Board and committee attendance fees	Total by-law stipulated emoluments and attendance fees	
Directors	Execu tive	Non-execu tive	Board <sup>M</sup>	EC	AC	ASC	RC	RSRCC	RBSCC	ITC				
Ana Botín		—	90,000	170,000	—	—	—	—	—	25,000	285,000	45,000	330,000	288,970
José Antonio Álvarez		—	90,000	170,000	—	—	—	—	—	25,000	285,000	45,000	330,000	269,620
Bruce Carnegie-Brown		I	275,500	170,000	—	75,000	75,000	—	—	25,000	620,500	79,500	700,000	595,000
Homaira Akbari		I	90,000	—	40,000	—	—	—	15,000	25,000	170,000	77,800	247,800	202,290
Javier Botín <sup>A</sup>		N	90,000	—	—	—	—	—	—	—	90,000	39,000	129,000	121,220
Álvaro Cardoso <sup>B</sup>		I	90,000	—	—	—	—	27,500	15,000	—	132,500	49,600	182,100	243,170
R.Martín Chávez <sup>C</sup>		I	90,000	—	—	25,000	25,000	40,000	—	95,000	275,000	99,400	374,400	37,453
Sol Daurella		I	90,000	—	—	25,000	25,000	—	15,000	—	155,000	84,000	239,000	213,670
Henrique de Castro <sup>D</sup>		I	90,000	—	40,000	—	25,000	—	—	25,000	180,000	86,800	266,800	216,790
Gina Díez <sup>E</sup>		I	90,000	—	—	685	—	—	—	—	90,685	39,000	129,685	4,053
Luis Isasi <sup>F</sup>		N	90,000	170,000	—	—	25,000	40,000	—	—	325,000	81,000	406,000	203,027
Ramiro Mato		I	90,000	170,000	40,000	—	—	40,000	65,000	—	405,000	93,900	498,900	430,410
Sergio Rial <sup>G</sup>		—	90,000	—	—	—	—	—	—	—	90,000	39,000	129,000	62,800
Belén Romana		I	90,000	170,000	40,000	—	—	92,500	15,000	25,000	432,500	99,900	532,400	417,274
Pamela Walkden <sup>H</sup>		I	90,000	—	110,000	—	—	26,667	—	—	226,667	76,400	303,067	214,594
Rodrigo Echenique <sup>I</sup>		N	—	—	—	—	—	—	—	—	—	—	—	155,501
Ignacio Benjumea <sup>J</sup>		N	—	—	—	—	—	—	—	—	—	—	—	173,473
Guillermo de la Dehesa <sup>K</sup>		N	—	—	—	—	—	—	—	—	—	—	—	107,747
Esther Giménez-Salinas <sup>L</sup>		I	—	—	—	—	—	—	—	—	—	—	—	191,405
			1,535,500	1,020,000	270,000	125,685	175,000	266,667	125,000	245,000	3,762,852	1,035,300	4,798,152	4,148,467

A. All amounts received were reimbursed to Fundación Botín.

B. Director since 1 April 2018.

C. Director since 27 October 2020.

D. Director since 17 July 2019.

E. Director since 22 December 2020.

F. Director since 19 May 2020

G. Executive director since 30 May 2020

H. Director since 29 October 2019.

I. Stepped down as executive director on 30 April 2019. Non-executive director from 1 May 2019 to 22 December 2020

J. Stepped down as director on 5 May 2020.

K. Stepped down as director on 3 April 2020.

L. Stepped down as director on 27 October 2020

M. Also includes emoluments for other roles in the board.

P: Proprietary I: Independent N: Non-external (neither proprietary nor independent).

EC: Executive committee AC: Audit committee ASC: Appointments committee RC: Remuneration committee

RSRCC: Risk supervision, regulation and compliance committee. RBSCC: Responsible Banking, sustainability and culture committee. ITC: Innovation and technology committee.

### 6.3 Remuneration of directors for executive duties

The policy on directors' remuneration for executive duties in 2021 was approved by the board of directors and put to a binding vote at the 2021 general shareholders' meeting, with 93.26% votes in favour. The table below summarizes the policy and its implementation for Ana Botín and José Antonio Álvarez.

In the case of Sergio Rial, he has qualified as an executive director since his appointment as director became effective on 30 May 2020, pursuant to section 529 *duodecies* of the Spanish Companies Act (*Ley de Sociedades de Capital*) because of his role as CEO and vice-chair

of Banco Santander (Brasil) S.A. (Santander Brasil). In 2021 he received as fixed pay for his role as Regional head for South America, the EUR 750 thousand that had been approved at the 2021 general shareholders meeting as part of the 2021 remuneration policy. He has not received any other remuneration for executive functions in Banco Santander, S.A. On 31 December 2021, Mr Rial has stepped down as CEO and vice-chair of Santander Brasil and as Regional head for South America. Accordingly, he is not considered as an executive director since that date.

Component	Type	Policy	Effective in 2021
Gross annual salary	Fixed	<ul style="list-style-type: none"> <li>• Paid in cash on a monthly basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Ana Botín: EUR 3,176 thousand.</li> <li>• José Antonio Álvarez: EUR 2,541 thousand.</li> </ul>
Variable remuneration	Variable	<ul style="list-style-type: none"> <li>• Individual benchmark reference.</li> <li>• Calculated against annual quantitative metrics and a qualitative assessment on account of individual performance.</li> <li>• 50% of each payment is shares. The number of shares is set at the time of the award.</li> <li>• 40% paid in 2022;</li> <li>• 60% deferred in five years.</li> <li>• 24% paid in equal parts in 2023 and 2024.</li> <li>• 36% paid in equal parts in 2025, 2026 and 2027, provided certain long-term objectives are met (2021-2023).</li> </ul>	<ul style="list-style-type: none"> <li>• See section 6.3 B ii for details on annual metrics and assessment.</li> <li>• See section 6.3 B iv for details on long-term metrics.</li> <li>• See section 6.3 B iii for details on individual variable pay.</li> </ul>
Pension scheme	Fixed	<ul style="list-style-type: none"> <li>• Annual contribution of 22% of base salary.</li> </ul>	<ul style="list-style-type: none"> <li>• No change since 2018</li> </ul>
	Variable	<ul style="list-style-type: none"> <li>• Annual contribution of 22% of 30% of the average of variable remuneration in the last three years</li> </ul>	<ul style="list-style-type: none"> <li>• See section 6.3 C for details on annual contributions and pension balance.</li> </ul>
Other remuneration	Fixed	<ul style="list-style-type: none"> <li>• Includes life, accident and medical insurance, and other in-kind compensation.</li> </ul>	<ul style="list-style-type: none"> <li>• No change for Ana Botín or José Antonio Álvarez since 2018.</li> </ul>
		<ul style="list-style-type: none"> <li>• Payment for non-compete commitment</li> </ul>	<ul style="list-style-type: none"> <li>• No change.</li> </ul>
Shareholding policy	N/A	<ul style="list-style-type: none"> <li>• Executive directors also have the obligation to hold them for three years from their award date, unless the director already holds shares for an amount equivalent to 200% of their net annual salary (calculated on the basis of their gross annual salary). In such case, the regulatory obligation to hold shares is for one year from their grant date.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy updated during 2020 to assure compliance with recommendation 62 to the Good Governance Code for Listed Companies of the CNMV. Ana Botín and José Antonio Álvarez both maintain an amount in shares higher than 200% of their fixed pay.</li> </ul>

#### A. Gross annual salary

The board resolved to maintain the same gross annual salary for Ana Botín and José Antonio Álvarez for 2021 as in 2020.

It also maintained the fixed pension contribution of 22% of gross annual salary it had agreed in 2020 for 2021.

Executive directors' gross annual salary and fixed annual contribution to pensions for 2021 and 2020 were as follows:

EUR thousand	2021			2020		
	Gross annual salary	Fixed annual pension contribution	Total	Gross annual salary	Fixed annual pension contribution	Total
Ana Botín	3,176	699	3,875	3,176	699	3,875
José Antonio Álvarez	2,541	559	3,100	2,541	559	3,100
<b>Total</b>	<b>5,717</b>	<b>1,258</b>	<b>6,975</b>	<b>5,717</b>	<b>1,258</b>	<b>6,975</b>

Sergio Rial also received EUR 750 thousand as remuneration for his role as Regional Head for South America in 2021.

## B. Variable remuneration

### i) General policy for 2021

The board approved the executive directors' variable remuneration on the remuneration committee's recommendation, according to the policy approved at the general shareholders' meeting:

- Variable components<sup>22</sup> (including the variable part of the contributions to the benefit systems) of executive directors' total remuneration in 2021 should amount to less than 200% of fixed components, as established by resolution of the general shareholders' meeting on 26 March 2021.
- At the beginning of 2022, on the remuneration committee's recommendation, the board approved the final amount of the 2021 incentive, based on the set bonus pool in accordance with the directors' remuneration policy approved at the general shareholders' meeting on 26 March 2021, in consideration of:
  - Short-term quantitative metrics measured against annual objectives.
  - A qualitative assessment that cannot adjust the quantitative result by more than 25 percentage points upwards or downwards.
  - Any exceptional adjustment that must be supported by evidence.
  - The final figure is adjusted to executive directors' individual variable remuneration benchmark according to the current model and (i) their individual objectives (which generally match the Group's and cover financial, risk management and capital adequacy metrics as well as the three pillars the Group's strategy stands on: One Santander, PagoNxt and Digital Consumer Bank; and (ii) how they achieve them in consideration of how they manage employees and demonstrated the corporate values.

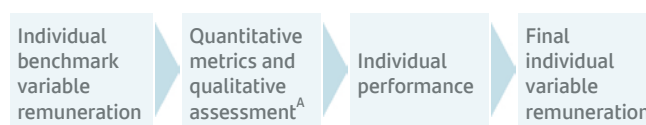
The payment schedule of the incentive is illustrated below.

						Cash
						Shares
Immediately following performance year	Deferred (malus)		Long-term performance deferral			Total
40%						40%
	12%	12%				24%
			12%	12%	12%	36%
2022	2023	2024	2025	2026	2027	100%

All deferred payments can be subject to malus, even if they are not subject to long-term objectives. Similarly, Santander can claw back paid incentives in the scenarios and for the period dictated in the group's malus and clawback policy.

### ii) Quantitative metrics and qualitative assessment for 2021

Executive directors' variable remuneration for 2021 has been based on the corporate centre executives' common bonus pool, which



A. Any exceptional adjustment supported by evidence

Quantitative metrics and qualitative assessment aspects are described below.

- Payment of the approved incentive is split equally into cash and shares. 40% is paid in 2022, once the final amount has been set. The remaining 60% will be deferred in equal parts over five years (subject to long-term metrics) as follows:
  - The deferred amount payable in 2023 and 2024, (24% of the total) will be paid if none of the malus clauses described below are triggered.
  - The deferred amount payable in 2025, 2026 and 2027, (36% of the total) will be paid if the malus clauses are not triggered and the multi-year targets described below are reached. These targets can only reduce these amounts and the number of deferred shares (which can be lower but not higher).
  - When the deferred amount is paid in cash, the beneficiary may be paid the amount adjusted for inflation up to the date of payment.
  - All payments in shares are subject to a three years retention period, unless the director already holds shares for an amount equivalent to twice his/her annual fix remuneration, in which case the shares would be subject only to the regulatory one year retention period obligation.
  - The hedging of Santander shares received during the retention and deferral periods is expressly prohibited. The sale of shares is also prohibited for one year from time they are received.

calculation comes from the quantitative and qualitative metrics approved by the board at the beginning of 2021 on the remuneration committee's recommendation. This also takes into account the input received from the human resources committee, which for these purpose counts on the participation of the senior management in charge of the group's risk, compliance, audit, human resources and legal and financial accounting and control functions, who among others provided input on risk, solvency, liquidity, results' quality and

<sup>22</sup> As indicated in the first chart in section 6.3 pension contributions include both fix and variable components, the latter of which also form part of total variable remuneration.

recurrence, and compliance and control. The quantitative and qualitative results for the bonus pool resulting from the process

above, which are considered by the board, upon recommendation from the remunerations committee, are included in the chart below.

Category and (weight)	Quantitative metrics				Qualitative		Total weighted score <sup>B</sup>
	Metrics	% Achievement over target	Assessment	Weighted assessment <sup>A</sup>	Component	Assessment	
Customers (20%)	Net Promoter Score (NPS) <sup>C</sup>	Target: TOP3 in 6 countries. Achieved: TOP3 in 8 countries <sup>D</sup>	109.3 %	21.86 %	Evaluation of the effective satisfaction of objectives regarding customers conduct risk	+3.40% - Strengthened product governance and made progress with customer conduct risk management, especially to further embed it in the first lines of defence.	25.26 %
	Risk - Cost of credit ratio (IFRS9) (10%)	% Target: 1.18% % Achieved: 0.77%	134.97 %	13.50 %	Appropriate management of risk appetite and operational risk  Risks culture and employee awareness	+1.42 % - Considerable progress in our risk management and control environment underpinned by the advances in our cutting edge technology (machine learning, AI and robotics), the definition of new target operating models for financial crime, as well as the successful implementation of our Risk Strategy.	14.92 %
	Capital ratio (CET1) (20%)	% Target: 11.90% % Achieved: 12.35% <sup>E</sup>	280.0 %	56.00 %	Efficient capital adequacy management: Sustainable capital contribution  Capital strategy planning and execution	+ 3.34% - Positive Evolution of CET1 ratio with active management of regulatory and markets (e.g. available for sale portfolios) headwinds throughout the year.	59.34 %
Shareholders (80%)					Ideal business growth from the previous year in view of market conditions and competition (net profit and profit margin after provisions)	-2% - Growth in a complex landscape, influenced by our competitors' management of pandemic-related provisions. While Santander leads its peers in revenue generation, it has released less provisions in 2021.	
	Profitability - Return on tangible equity (RoTE) (50%)	Target: 9.50% Result: 11.96%	125.84 %	62.92 %	Sustainable and sound results, efficient cost management and cost-to-income objectives  Progress in public commitments on responsible banking (especially financial inclusion, green finance and diversity-based targets)	+ 1.17% - Total net operating income growth year-on-year (+6%) provided by our geographic and business diversification and efficiency ratio of 46.2%, having improved 0.8 pp on 2020 and 2019. The Group remained one of the most efficient global banks in the world.  + 4.17% - Good progress made with selected commitments on the Responsible banking agenda, especially in: (i) women in senior leadership positions (the ratio increased by 260 bps from 23.7% in 2020 to 26.3% in 2021. The target was 26.2% in 2021 and the public commitment is 30% by 2025); (ii) financially empowered people (7.5 million people since 2019, including 2.5 million in 2021. The 2021 target was to reach 7.0 million and the public commitment is 10 million people between 2019 and 2025); (iii) green finance (of the EUR 120 billion committed from 2019 to 2025 and EUR 66 billion have been reached so far (EUR 51 billion was the target for close of 2021)).	66.26 %
Exceptional adjustment		Elements (non-exhaustive) under consideration: macro-economic environment, general control environment, compliance with internal and external regulations, prudent and efficient liquidity and capital planning management.			Although the underlying business performance resulted in a bonus calculus of 165.77%, there has been a management proposal, supported by the remuneration committee and approved by the Board of Directors, to exercise downward discretion to the 2021 variable remuneration to align with the ongoing uncertainty about the covid-19 health crisis in the Group's markets and its impact on shareholder returns.		(14.54)%
TOTAL							151.23 %

A. The weighted assessment is the result of multiplying each objective's assessment by its weighting per category. Each qualitative component under the RoTE category has same weighting.

B. Result of adding or subtracting the qualitative assessment to/from the weighted assessment.

C. The net promoter core (NPS) measures customers' willingness to recommend Santander. The assessment is based on the number of the group's core markets where Santander's NPS scores in the top 3, as well as on its performance against competitors.

D. The achievement amount is calculated by adding the weight each country where the target is met has over the total of Santander Group clients.

E. For this purpose, CET1 phased-in metric has been adjusted by the board, following a proposal from the remuneration committee, due to inorganic transactions, material changes to the Group's composition or size or other extraordinary circumstances which have affected the suitability of the metric and achievement scale established, resulting in an impact not related to the performance of the executive directors and executives being evaluated.



The following section details the individual variable remuneration approved by the board.

### iii) Determination of the individual variable remuneration for executive directors set in 2021

The board approved executive directors' variable remuneration on the remuneration committee's recommendation based on the policy mentioned in the paragraphs above and the result of the quantitative metrics and qualitative assessment described above.

The board also verified that none of the following circumstances have occurred:

- The Group's ONP<sup>23</sup> for 2021 was not more than 50% less than for 2020. Otherwise, variable remuneration would not have been greater than 50% of the benchmark incentive.
- The Group's ONP was not negative. Otherwise, the incentive would have been zero.

The board voted to maintain the same benchmark incentive for Ana Botín and José Antonio Álvarez in 2021 as in 2020.

Variable contributions to pensions were not modified in 2021, so the amounts are the 22% of the 30% of the last three assigned bonus' average.

### Breakdown of immediately payable and deferred remuneration

Comparing with the previous year, it should be mentioned that amid the covid-19 health crisis in 2020, Ana Botín and José Antonio Álvarez

proposed to reduce their total 2020 compensation (salary and bonus) by 50%.

To achieve the 50% reduction compared to 2019, the board of directors decided to apply an additional adjustment to Ana Botín's and José Antonio Álvarez's variable compensation, reducing the variable compensation by 74% in the case of Ana Botín and 79% in the case of José Antonio Álvarez.

In 2021, the good business performance (which enabled Banco Santander to reach a 12.73% underlying RoTE, above 2019), the excellent execution of our strategy (with the highest underlying attributable profit of the last 12 years), and efficient capital management, have improved substantially the bonus pool results, and thus the variable remuneration of corporate centre employees, including the executive directors.

The immediately payable variable remuneration in deferred amounts not contingent on long-term metrics and variable remuneration deferred and contingent on long-term objectives approved by the board of directors, following a proposal by the remuneration committee resulting from the aforementioned process are:

### IMMEDIATELY PAYABLE AND DEFERRED (NOT LINKED TO LONG-TERM OBJECTIVES) VARIABLE REMUNERATION

EUR thousand	2021			2020		
	In cash	In shares	Total	In cash	In shares	Total
Ana Botín	2,941	2,941	5,883	534	534	1,068
José Antonio Álvarez	1,985	1,985	3,970	290	290	580
<b>Total</b>	<b>4,926</b>	<b>4,926</b>	<b>9,853</b>	<b>824</b>	<b>824</b>	<b>1,648</b>

A. The share amounts in the foregoing table correspond to a total of 1,587 thousand shares in Banco Santander (307 thousand shares in 2020).

The following chart states deferred variable remuneration at fair value, which will only be received in 2025, 2026 and 2027, provided that long-term multi-year targets are met (see section 6.3 B iv)), beneficiaries continue to be employed at Grupo Santander, in accordance with the terms approved in the general shareholders' meeting, and no circumstances triggering malus clauses occur<sup>24</sup>:

### DEFERRED VARIABLE REMUNERATION LINKED TO LONG-TERM OBJECTIVES (FAIR VALUE)

EUR thousand	2021			2020		
	In cash	In shares	Total	In cash	In shares	Total
Ana Botín	1,158	1,158	2,316	210	210	420
José Antonio Álvarez	782	782	1,563	114	114	228
<b>Total</b>	<b>1,940</b>	<b>1,940</b>	<b>3,880</b>	<b>324</b>	<b>324</b>	<b>648</b>

A. The number of shares in the table total 625 thousand shares in Banco Santander (121 thousand shares in 2020).

Fair value has been determined on the grant date based on the valuation report of an independent expert, Willis Towers Watson. Based on the design of the plan for 2021 and success levels of similar plans at peer entities, the expert found a range of 60%-80% reasonable to estimate the initial success ratio. Therefore, fair value was considered to be 70% of the maximum value.

<sup>23</sup> For this purpose, ONP is attributed ordinary net profit, adjusted upwards or downwards for transactions the board believes have an impact not connected to the performance of evaluated directors, for which extraordinary profit, corporate transactions, impairments, or accounting or legal adjustments that may occur during the year are evaluated.

<sup>24</sup> The exclusion in the calculation for these purposes of goodwill impairments is aligned with the supervisors' criteria on their recommendations on dividend distributions. Corresponds to the fair value of the maximum amount to be received over a total of 3 years, subject to continued service -with certain exceptions-, non- applicability of malus clauses and compliance with set goals. Fair value was estimated at the plan award date on account of several scenarios for the variables in the plan during the measurement periods.

The maximum number of shares to be delivered under the plan (2,480 thousand shares not adjusted for fair value) is within the limit of 3,705 thousand shares authorised in the 2021 AGM for executive directors. This limit was calculated with the weighted average daily volume of weighted average listing prices of Santander shares in the 15 trading sessions prior to the Friday (not inclusive) before 1 February 2022 (the date on which the board approved the 2021 bonus for executive directors), which was EUR 3.104 per share.

#### iv) Multi-year targets linked to the payment of deferred amounts in 2025, 2026 and 2027

The multi-year targets linked to the payment of the deferred amounts payable in 2025, 2026 and 2027 are:

	Metrics	Weight	Target and compliance scales (metrics ratios)
A	Earnings per share (EPS) growth in 2023 vs 2020	33 %	If EPS in 2023 (% vs.2020) $\geq$ 125%, then metric ratio is 1.5 If EPS in 2023 (% vs.2020) $\geq$ 100% but < 125%, then metric ratio is $1 - 1.5^C$ If EPS in 2023 (% vs. 2020) $\geq$ 70% but < 100%, then metric ratio is $0 - 1^C$ If EPS in 2023 (% vs. 2020) < 70%, ratio is 0
B	Relative Total Shareholder Return (TSR) <sup>A</sup> in 2021-2023 within a peer group	33 %	If ranking of Santander above percentile 66, then metric ratio is 1 If ranking of Santander between percentiles 33 and 66, then ratio is $0 - 1^D$ If ranking of Santander below percentile 33, then metric ratio is 0
C	Fully loaded target common equity Tier 1 ratio (CET1) <sup>B</sup> for 2023	33 %	If CET1 is $\geq$ 12%, then metric ratio is 1 If CET1 is $\geq$ 11% but < 12%, then metric ratio is $0 - 1^E$ If CET1 is < 11%, then metric ratio is 0

A. TSR refers to the difference (%) between the final and initial values of capital invested in ordinary shares of Banco Santander. The final value is calculated based on the dividends or other similar concepts (such as the Santander Scrip Dividend programme) shareholders receive for this investment during the corresponding period -as if they had invested in more shares of the same type at the first date on which the dividend or similar concept was payable to shareholders- and the weighted average share price at that date. To calculate TSR, the weighted average daily volumes of the weighted average listing prices for the fifteen trading sessions prior to 1 January 2021 (exclusive) is considered (to calculate the initial value) and the fifteen trading sessions prior to 1 January 2024 (exclusive) (to calculate the final value). The peer group consists of BBVA, BNP Paribas, Citi, Crédit Agricole, HSBC, ING, Itaú, Scotia Bank and Unicredit.

B. To check success in terms of this objective, possible increases in CET1 resulting from capital increases will be disregarded (except in relation to the Santander Scrip Dividend programme). Furthermore, the CET1 ratio at 31 December 2023 could be adjusted to factor out the impact of any new regulations on its calculation up to that date.

C. Linear increase in the EPS ratio based on the specific EPS growth rate in 2023 in respect of 2020 within this bracket of the scale.

D. Proportional increase in the TSR ratio based on the number of positions moved up in the ranking.

E. Linear increase in the CET1 ratio as a function of the CET1 ratio in 2023 within this bracket of the scale.

To determine the annual amount of the deferred portion linked to objectives corresponding to each board member in 2025, 2026 and 2027, the following formula shall be applied to each of these payments ('Final annuity') without prejudice to any adjustment deriving from the malus clauses:

$$\text{Final annuity} = \text{Amt.} \times (1/3 \times A + 1/3 \times B + 1/3 \times C)$$

where:

- 'Amt.' is one third of the variable remuneration amount deferred conditional on performance (i.e. Amt. will be 12% of the total variable pay set in early 2022).
- 'A' is the EPS ratio according to the scale in the table above, based on EPS growth in 2023 vs 2020.

- 'B' is the TSR ratio according to the scale in the table above, according to the relative performance of Banco Santander's TSR within its peer group in 2021-2023.

- 'C' is the CET1 ratio according to compliance with the CET1 target for 2023 described in the table above.

- In any event, if the result of  $(1/3 \times A + 1/3 \times B + 1/3 \times C)$  is greater than 1, the multiplier will be 1.

#### v) Malus and clawback

Deferred amounts (whether or not contingent on multi-year targets) will be earned if the beneficiary continues to work with the group<sup>25</sup>, and none of the circumstances triggering the malus clause arise before each payment, according to the section on malus and clawback clauses in the remuneration policy.

<sup>25</sup> When the beneficiary's relationship with Banco Santander or another group entity terminates because of retirement, early retirement or pre-retirement; a dismissal ruled by the courts to be wrongful; unilateral withdrawal for good cause by an employee (which includes the situations set forth in article 10.3 of Royal Decree 1382/1985, of 1 August, governing the special relationship of senior management, for the persons subject to these rules); permanent disability or death; mandatory redundancy; or because an employer other than Banco Santander ceases to belong to Santander Group, the right to receive shares and deferred amounts in cash and any amounts of the deferred amounts in cash adjusted for inflation will remain under the same conditions in force as if none of such circumstances had occurred. In the case of death, the right will pass to the beneficiary's heirs.

In cases of justified temporary leave due to temporary disability, suspension of contract due to maternity or paternity leave, or leave to care for children or a relative, there will be no change in the beneficiary's rights. If the beneficiary goes to another group company (even through international assignment and/or expatriation), these rights will likewise not change. If the relationship terminates by mutual agreement or because the beneficiary obtains a leave not mentioned above, the terms of the termination or temporary leave agreement will apply.

None of those circumstances attach the right to receive the deferred amount in advance. If beneficiaries or their heirs maintain the right to receive deferred pay in shares and cash and any deferred amounts in cash adjusted for inflation, it will be delivered within the periods and under the terms dictated by the rules for the plans.

None of the above circumstances shall give the right to receive the deferred amount in advance. If the beneficiary or the successors thereof maintain the right to receive the deferred remuneration in shares and cash and, where applicable, the amounts arising from the adjustment for inflation of the deferred amounts in cash, it shall be delivered within the periods and under the terms provided in the rules for the plans.

Similarly, Banco Santander can clawback any paid variable amounts in the scenarios and for the period dictated by the terms and conditions in the said policy.

Variable remuneration for 2021 can be clawed back until the beginning of 2028.

Malus and clawback clauses are triggered by poor financial performance of Banco Santander, a division or area, or exposures from staff as a result of an executive(s)'s management of, at least, one of these factors:

Category	Factors
Risk	Significant failures in risk management by Banco Santander, or by a business or risk control unit.
Capital	An increase in capital requirements at the Banco Santander or one of its business units not planned at the time that exposure was generated.
Regulation and internal codes	Regulatory penalties or legal convictions for events that might be attributable to the unit or staff responsible for them. In addition, failure to comply with Banco Santander's internal codes of conduct.
Conduct	Improper conduct, whether individual or collective. Negative effects deriving from the marketing of unsuitable products and the liability of persons or bodies making such decisions will be considered especially significant.

The application of malus or clawback clauses for executive directors shall be determined by the board of directors, at the proposal of the remuneration committee, and cannot be proposed once the retention period for the final payment in shares under the plan has elapsed in early 2028. Therefore, the board determines the specific deferred incentive amount to be paid as well as any amount that could be subject to clawback, upon on the remuneration committee's recommendation and depending on the level of compliance with the conditions for applying malus clauses, .

### C. Main features of the benefit plans

Executive directors participate in the defined contribution pension scheme created in 2012, which covers contingencies due to retirement, disability and death.

José Antonio Álvarez's contract has been updated in 2020 so that he has ceased to have the right to early retirement in case of termination of his contract. Ana Botín has ceased to have the right to voluntary early retirement, keeping this right if Banco Santander terminates her contract before 31 August 2022, after which early retirement will no longer be available. As long as she retains that right, she is entitled to an annual allotment equal to her total fixed remuneration, plus 30% of the average of up to her last three variable pays.

According to the 2012 system, contracts for executive directors (and other senior managers) with defined benefit pension obligations were transformed into a defined contribution system. The new system gives executive directors the right to receive benefits upon retirement, even if they are not active at Banco Santander at the time, based on contributions to the system. It also replaces their previous right to receive a pension supplement in the event of retirement.

The initial amount for each executive director in the new defined contribution pension scheme corresponded to the market value of the assets for which the provisions for due obligations were

recognized when the previous pension commitments had been transferred to the new pension scheme.

Every year since 2013, Banco Santander has been contributing to the pension scheme for executive directors and senior executives in proportion to their pensionable bases until their departure from the group, retirement, death or disability (even during pre-retirement). The pensionable base for executive directors is the sum of fixed remuneration plus 30% of the average of their last three variable remuneration amounts. Contributions will be 22% of pensionable bases in all cases.

Pursuant to remuneration regulations, contributions calculated on the basis of variable remuneration are subject to the discretionary pension benefits scheme. Therefore, under the policy, malus and clawback clauses can be enforced on them in place at any given time and during the same period in which variable remuneration is deferred. Furthermore, these contributions must be invested in shares in Banco Santander for five years from the date of the executive director's retirement, or from the date on which executive directors leave the group. Once that period has elapsed, the amount invested in shares will be paid to them or their beneficiaries if some contingency covered by the pension scheme was happened or will be added to the remainder of their cumulative balance until their retirement age when the total amount will be paid.

The benefit plan is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. The economic rights of the directors previously mentioned belong to them even if they are not active at Banco Santander at the time of their retirement, death or disability. Their contracts do not stipulate any severance payment outside the extent of the law for termination of contract or the aforementioned annual allowance for pre-retirement.

The provisions recognised in 2021 for retirement pensions amounted to 1,825 thousand euros (2,019 thousand euros in 2020), as broken down below.

EUR thousand	2021	2020
Ana Botín	1,041	1,155
José Antonio Álvarez	783	864
<b>Total</b>	<b>1,825</b>	<b>2,019</b>

These are the amounts corresponding to each executive director as of 31 December 2021 and 2020 in the pension scheme:

EUR thousand	2021	2020
Ana Botín	48,075	49,444
José Antonio Álvarez	18,821	18,082
<b>Total</b>	<b>66,896</b>	<b>67,526</b>

### D. Other remuneration

Grupo Santander also takes out insurance policies for life, health and other contingencies for its executive directors. This other remuneration component includes the fixed supplement approved for Ana Botín and José Antonio Álvarez to replace the supplementary benefits from the pension scheme eliminated in 2018, in addition to the cost for insuring death or disability until they retire. Executive directors are also covered under the group's civil liability insurance policy.

Note 5 to the group's consolidated financial statements describes other benefits received by executive directors in detail.

## E. Shareholdings

In 2016, on the remuneration committee's recommendation, the board of directors approved a shareholding policy to better align executive directors with shareholders' long-term interests.

According to this policy, in addition to the executive directors' commitment to maintaining a significant holding of shares in the group for as long as they have their role, executive directors active on 1 January 2016 would have five years to demonstrate that their personal assets include shares in Banco Santander that amount (net of taxes) to twice their gross annual salary on that date. Executive directors have complied with this policy. The following table shows the ratio, with a share price at 31 December 2021 of 2.94 euros:

	2021				2020		
	Gross annual salary (thousand)	number of shares (thousand)	X		Gross annual salary (thousand)	number of shares (thousand)	X
Chair	3,176	25,365	23.5		3,176	24,608	22.8
CEO	2,541	1,985	2.3		2,541	1,821	2.1

Likewise, in addition to the regulatory obligation for executive directors not to sell the shares they receive as remuneration for a year from their award, which is included in the shareholding policy, and will apply to all cases, this policy has also been updated to include the obligation for executive directors not to sell the shares they receive as remuneration for a period of three years from their award date, unless the executive director already holds Banco Santander shares for an amount equivalent to twice his/her fix annual remuneration.

## F. Remuneration of Sergio Rial in Santander Brasil

In addition to the EUR 750 thousand Sergio Rial received as Regional head for South America, he was paid the following amounts as CEO of Santander Brasil:

2021	BRL thousand	EUR thousand
Base salary	12,645	1,985
Other fixed benefits	47	7
Pensions	7,350	1,153
Variable remuneration immediately payable and deferred (not linked to long-term objectives)	26,600	4,018
<b>Total 2021</b>	<b>46,642</b>	<b>7,163</b>
<b>Total 2020</b>	<b>37,079</b>	<b>6,378</b>

His variable remuneration is subject to the same policy principles, deferrals, multi-year targets linked to the payment of deferred amounts and malus and clawback principles described under section B above (but in relation to the subsidiary where he was the CEO until 31 December 2021).

The following table shows the variable remuneration deferred and contingent on long-term objectives (with a fair value applied of 70%):

### Deferred and linked to long-term objectives variable remuneration

	2021			2020		
	In cash	In shares	Total	In cash	In shares	Total
Sergio Rial	791	791	1,582	655	655	1,311

## G. Remuneration of board members as representatives of Banco Santander

The executive committee has resolved that the remuneration received by directors who represent Banco Santander on boards of companies where it owns equity and were appointed after 18 March 2002 will accrue to the group. No executive director received remuneration for this type of representation in 2021 or 2020.

However, in their personal capacity, in 2021 Álvaro Cardoso was paid BRL 2,130 thousand (EUR 334 thousand) as non-executive chair of Banco Santander Brasil, S.A., Homaira Akbari was paid USD 190 thousand (EUR 161 thousand) as member of the board of Santander Consumer USA (SCUSA) and EUR 52 thousand as member of the Board of PagoNxt, and Henrique de Castro and R. Martín Chávez were each paid the same EUR 52 thousand as members of the board of PagoNxt. Likewise, Pamela Walkden was paid GBP 31 thousand (EUR 36 thousand) as member of Santander UK plc and Santander UK Group Holdings boards.

Likewise, Luis Isasi was paid EUR 1,000 thousand for his roles as non-executive chair and for board and committees meetings (amount included in the chart below as "other remuneration" as it is paid by Banco Santander, S.A.).

## H. Individual remuneration of directors for all items in 2021

Below is a breakdown of each director's short-term salary (payable immediately) and deferred remuneration not based on long-term performance for 2021 and 2020. Note 5 to the group's consolidated financial statements contains disclosures on shares delivered in 2021 under the deferred remuneration schemes of previous years where conditions for their delivery were met in the related years.

An additional column for 2019 is included for comparison purposes, being 2019 a more representative year due to the aforementioned extraordinary reduction in the variable remuneration applied in 2020. Total remuneration rose 15% for the Chair and 11% for the chief executive officer compared to 2019, as attributable profit grew 25% from 2019 to 2021. Underling RoTE in 2021 was 12.73% (11.79% in 2019), TSR 18.58% (-4% in 2019).

Directors	EUR thousand									2020	2019
	2021										
	Bylaw-stipulated emoluments		Salary and bonus of executive directors								
	Board and board committees annual allotment	Board and committee attendance fees	Fixed Salary	Immediate payment bonus (50% in shares)	Deferred payment bonus (50% in shares)	Total	Pension Contribution	Other remuneration	Total		
Ana Botín	285	45	3,176	3,676	2,206	9,058	1,041	1,006	11,435	6,818	9,954
José Antonio Álvarez	285	45	2,541	2,482	1,488	6,511	783	1,536	9,160	6,018	8,270
Bruce Carnegie-Brown	620	80	—	—	—	—	—	—	700	595	700
Homaira Akbari	170	78	—	—	—	—	—	—	248	202	226
Javier Botín <sup>A</sup>	90	39	—	—	—	—	—	—	129	122	137
Álvaro Cardoso <sup>B</sup>	133	50	—	—	—	—	—	—	183	243	276
R.Martin Chávez <sup>C</sup>	275	99	—	—	—	—	—	—	374	37	—
Sol Daurella	155	84	—	—	—	—	—	—	239	214	240
Henrique de Castro <sup>D</sup>	180	87	—	—	—	—	—	—	267	217	86
Gina Díez <sup>E</sup>	91	39	—	—	—	—	—	—	130	4	—
Luis Isasi <sup>F</sup>	325	81	—	—	—	—	—	1,000	1,406	943	—
Ramiro Mato	405	94	—	—	—	—	—	—	499	430	500
Sergio Rial <sup>G</sup>	90	39	750	—	—	750	—	—	879	63	—
Belén Romana	433	100	—	—	—	—	—	—	533	417	525
Pamela Walkden <sup>H</sup>	227	76	—	—	—	—	—	—	303	214	34
Rodrigo Echenique <sup>I</sup>	—	—	—	—	—	—	—	—	—	1,955	4,874
Ignacio Benjumea <sup>J</sup>	—	—	—	—	—	—	—	—	—	275	524
Guillermo de la Dehesa <sup>K</sup>	—	—	—	—	—	—	—	—	—	108	399
Esther Giménez-Salinas <sup>L</sup>	—	—	—	—	—	—	—	—	—	191	228
Total 2021	3,764	1,036	6,467	6,158	3,694	16,319	1,824	3,542	26,485	—	—
Total 2020	3,081	1,066	5,717	1,029	617	7,363	2,019	5,537	—	19,066	—
Total 2019	3,770	1,094	6,317	5,146	3,087	14,550	2,003	5,770	—	—	27,187

A. All amounts received were reimbursed to Fundación Botín.

B. Director since 1 April 2018.

C. Director since 27 October 2020.

D. Director since 17 July 2019.

E. Director since 22 December 2020.

F. Director since 19 May 2020.

G. Executive director since 30 May 2020.

H. Director since 29 October 2019.

I. Stepped down as executive director on 30 April 2019. Non-executive director from 1 May 2019 to 22 December 2020.

J. Stepped down as director on 5 May 2020.

K. Stepped down as director on 3 April 2020.

L. Stepped down as director on 27 October 2020.

The following table provides each executive director's salary contingent on multi-year targets. It is only paid if they remain active in the group, malus clauses do not apply and set multi-year targets are achieved (as depending on their achievement the amounts will be reduced, or even be zero if the related minimum thresholds are not achieved).

	EUR thousand	
	2021	2020
	(50% in shares) <sup>A</sup>	(50% in shares) <sup>A</sup>
Ana Botín	2,316	420
José Antonio Álvarez	1,563	228
<b>Total</b>	<b>3,880</b>	<b>648</b>

A. Fair value of the maximum amount receivable over a total of 3 years (2025, 2026 and 2027), which was estimated when the plan was granted, based on several scenarios relating to variables in the plan during the measurement periods.

### I. Ratio of variable to fixed pay components in 2021

At the 2021 AGM, shareholders approved a maximum ratio of 200% of variable to fixed components in executive directors' pay.

The table below shows the ratio of variable components to fixed components for each executive director's total pay in 2021. This ratio increased from 2020 by 142 pp for Ana Botín and by 104 pp for José Antonio Álvarez due to the exceptional reduction of their remuneration in 2020 amid the covid-19 health crisis mentioned in subsection B, iii) above.

Executive directors	Variable Components / fixed components (%)
Ana Botín	182 %
José Antonio Álvarez	128 %
Sergio Rial	161 %

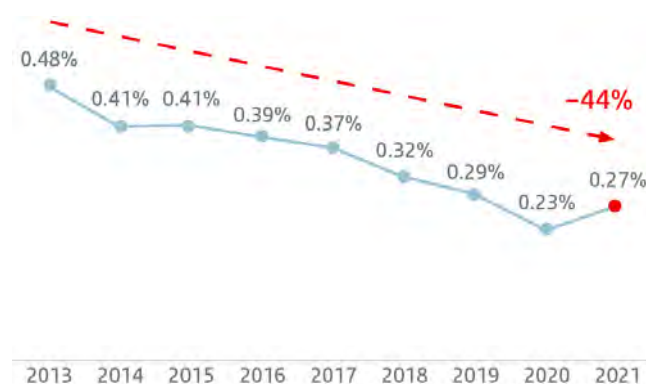
For these purposes:

- Variable components include all items of this nature, such as any contributions to the pension scheme calculated on directors' variable pay.
- Fixed components consist of the other items each director receives for executive duties, including contributions to pension schemes calculated on the basis of fixed remuneration and other benefits, as well as all bylaw-stipulated emoluments that the director is entitled to receive in his or her capacity as such.

### J. Comparative analysis of directors' remuneration, company performance and average remuneration of employees

This chart summarizes directors' compensation (short-term remuneration, deferred variable remuneration and/or deferred variable remuneration linked to multi-year targets) for executive duties in relation to underlying attributable profit. The weight of executive directors' remuneration relative to underlying attributable profit continues to decline since 2013.

#### RATIO OF EXECUTIVE DIRECTOR REMUNERATION TO UNDERLYING ATTRIBUTABLE PROFIT



Compared to 2019 as a more representative year, due to the aforementioned extraordinary reduction in the variable remuneration applied in 2020, total remuneration rose 15% for the Chair and 11% for the chief executive officer, as attributable profit grew 25% from 2019 to 2021. Underling RoTE in 2021 was 12.73% (11.79% in 2019), TSR 18.58% (-4% in 2019).

The following chart shows the comparative analysis between the directors' remuneration, the company performance (underlying profit attributable to the Group, audited profit before taxes and ordinary ROTE) and the average remuneration of Santander employees in the last 5 years:

Directors' remuneration <sup>1</sup> (EUR thousand)	2021	% var. 21/20	2020	% var. 20/19	2019	% var. 19/18	2018	% var. 18/17	2017
<b>• Executive Directors</b>									
Ana Botín	11,435	68%	6,818	(32)%	9,954	(5)%	10,483	(1)%	10,582
José Antonio Álvarez	9,160	52%	6,018	(27)%	8,270	(4)%	8,645	(3)%	8,893
Sergio Rial <sup>A</sup>	879	—	63	—	—	—	—	—	—
<b>• Non-Executive Directors<sup>2</sup></b>									
Bruce Carnegie-Brown	700	18%	595	(15)%	700	(4)%	732	—	731
Javier Botín <sup>B</sup>	129	6%	122	(11)%	137	13%	121	(2)%	124
Sol Daurella	239	12%	214	(11)%	240	12%	215	4%	207
Belén Romana <sup>C</sup>	533	28%	417	(21)%	525	27%	414	39%	297
Homaira Akbari <sup>D</sup>	248	23%	202	(11)%	226	14%	199	25%	159
Ramiro Mato <sup>E</sup>	499	16%	430	(14)%	500	11%	450	—	36
Álvaro Cardoso <sup>F</sup>	183	(25)%	243	(12)%	276	86%	148	—	—
Henrique de Castro <sup>G</sup>	267	23%	217	152%	86	—	—	—	—
Pamela Walkden <sup>H</sup>	303	42%	214	529%	34	—	—	—	—
Luis Isasi <sup>I</sup>	1,406	49%	943	—	—	—	—	—	—
R. Martín Chávez <sup>J</sup>	374	911%	37	—	—	—	—	—	—
Gina Díez <sup>K</sup>	130	—	4	—	—	—	—	—	—
<b>Company's performance</b>									
Underlying profit attributable to the Group (EUR mn)	8,654	70%	5,081	(38)%	8,252	2%	8,064	7%	7,516
Consolidated results of the Group <sup>3</sup> (EUR mn)	14,547	—	(2,076)	—	12,543	(12)%	14,201	17%	12,091
Ordinary RoTE	12.73%	71%	7.44%	(37)%	11.79%	(2)%	12.08%	2%	11.82%
<b>Employees' average remuneration<sup>4</sup> (EUR)</b>	<b>55,673</b>	<b>18%</b>	<b>47,130</b>	<b>(12)%</b>	<b>53,832</b>	<b>2%</b>	<b>52,941</b>	<b>(5)%</b>	<b>55,484</b>

1. Deferred variable remuneration linked to long-term objectives not included.

2. Non-executive directors' remuneration fluctuations are caused by joining or leaving the Board of Directors and the difference in the amount of meetings they assist during the year. Hence there is no correlation between their remuneration and the company performance.

3. Group operating profit/(loss) before tax.

4. Employee average remuneration includes all concepts, including other remuneration. Full-time equivalent data. The percentage of variable remuneration over fixed remuneration in an average employee is lower than that of the executive directors. Variable remuneration data accrued in the current year, both for employees and executive directors. Evolutive data also impacted by exchange rate performance in the group's geographies.

A. Executive director since 30 May 2020.

B. All amounts received were reimbursed to Fundación Botín.

C. Director since 22 December 2015.

D. Director since 27 September 2016.

E. Director since 28 November 2017.

F. Director since 23 March 2018.

G. Director since 17 July 2019.

H. Director since 29 October 2019.

I. Director since 19 May 2020.

J. Director since 27 October 2020.

K. Director since 22 December 2020.



## J. Summary of link between risk, performance and remuneration

Banco Santander's remuneration policy and its application in 2021 have promoted sound and effective risk management, at the same time as supported the fulfilment of long-term business objectives.

The key elements of the remuneration policy for executive directors making alignment between risk, performance and reward in 2021 were as follows:

Key words	Aspect aligning risk, performance and remuneration
Metrics balance	The balance of quantitative metrics and qualitative assessments, including customer, risk, capital and profitability in relation to risk, used to determine the executive directors' variable remuneration.
Financial thresholds	The adjustment to variable remuneration if certain financial thresholds are not reached, which may limit the variable remuneration to 50% of the previous year's amount or lead to it not being awarded at all.
Long-term objectives	The long-term objectives linked to the last three portions of the deferred variable remuneration. These objectives are directly associated with return to shareholders relative to a peer group, earnings per share and maintaining a sound capital base.
Individual performance	The discretion of the board to consider the performance of each executive director in the award of their individual variable remuneration.
Variable remuneration cap	200% of fixed remuneration.
Control functions involvement	The work undertaken by the human resources committee aided by senior managers leading Control functions in relation to the analysis of quantitative metrics information and undertaking qualitative analysis
Malus and clawback	Malus can be applied to unvested deferred pay and clawback can be applied to vested or paid compensation under the conditions dictated by the group's remuneration policy.
Payment in shares	At least 50% of variable pay is in shares and subject to retention for at least one year from their delivery.

## 6.4 Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote

### Remuneration policy principles and remuneration system

#### A. Directors' remuneration in their capacity as such

Director's remuneration is regulated by article 58 of Banco Santander's bylaws and article 33 of the Rules and regulations of the board of directors. For 2022, 2023 and 2024, no changes to the principles and composition of directors' remuneration for supervisory and collective decision-making duties are planned with respect of those in 2021. They are described in sections [6.1](#) and [6.2](#).

#### B. Executive directors' remuneration

Executive directors are entitled to be paid the remuneration (e.g., salaries, incentives, bonuses, severance payments for early termination from such duties, and amounts to be paid by Banco Santander for insurance premiums or contributions to savings schemes) deemed appropriate for performing executive functions following a proposal from the remunerations committee and by resolution of the board of directors, subject to the limits set by law.

For 2022, 2023 and 2024, several changes to the principles of executive directors' remuneration for executive duties are planned (sections [6.1](#) and [6.3](#)).

First, to simplify the variable remuneration scheme, the proposal is to reduce the number of metrics in the bonus scorecard from the four applied in 2021 to three (30% for customers; 40% for RoRWA; and 30% for RoTE) to focus more on the Group's strategic priorities of customers and profitability, assuring adequate risk management and efficient use of capital.

The qualitative assessment for the scorecard will be conformed by the same metrics as in 2021, but adding CET1, to acknowledge the importance of having sufficient capital to support the bank's strategy even in the event of severe stress.

Second, to create a stronger alignment with shareholder returns, it is

proposed to introduce options as a remuneration instrument.

Accordingly, the variable remuneration of Banco Santander's identified staff would be 50% in cash, 25% in shares and 25% in share options, instead of 50% in cash and 50% in shares under the current scheme. Executive directors would also be allowed to choose to receive only options, so their variable remuneration would be 50% in cash and 50% in share options.

Options will not include any premium, as they will be valued at fair market price at the moment when they are awarded. So the executives' exposure to shareholders' return is amplified by the effect of the evolution of the share price both positively and negatively.

Third, it is proposed to update the long-term performance metrics according to market best practice and our stakeholders' preferences, prioritising shareholder returns and the Group's profitability in the long-term, as well as sustainability of the balance sheet and its activities and how they are carried out. Therefore:

- Relative performance of Banco Santander's total shareholder return (TSR) compared to our peer group will remain; however, the threshold at which executives begin to accrue remuneration is increased from 33% to 40%. Its weight will be 40% of the total.
- Return on tangible equity (RoTE), as an indication of long-term value creation. Its weight will be 40% of the total.
- Five ESG (environmental, social and governance) metrics linked to the progress we make on our commitments to implement the Group's Responsible banking agenda. Their weight will be 20% of the total. For additional details about our public commitments, please see [Responsible banking](#) section.

As shown below in the 'Deferred variable remuneration linked to long-term objectives' section, the maximum achievement ratio is also increased from 100% to 125% so executives have the incentive to exceed their targets; however, the maximum achievement ratio for

effectively paid remuneration will not exceed the thresholds approved at the AGM.

Additionally, with the aim of providing a strong alignment with PagoNxt's success, the executive Chair and the chief executive officer will be able to receive restricted share units (RSUs) of PagoNxt, S.L.

The RSUs will substitute part of their Santander variable pay instruments without increasing their total pay and will not represent more than 10% of their variable pay.

Specifically, as regards 2022, Ana Botín would receive the equivalent of EUR 608 thousand in RSUs, and José Antonio Álvarez would receive the equivalent of EUR 410 thousand in RSUs, under PagoNxt, S.L.'s long term incentive plan. Each RSU would grant the right to a share in PagoNxt, S.L. or the holding entity of its group (or its equivalent in cash) at the moment when, according to such plan, a liquidity event, a repurchase or a liquidation of such instruments takes place.

This plan is subject to the same principles of risk alignment, variable remuneration caps, deferrals and malus and clawback as the incentive which applies to executive directors described herein, but with payment being done in PagoNxt instruments. It is also subject to specific objectives of PagoNxt, the main of which is the completion of its corporate restructuring for 2022.

Finally, every year, Banco Santander conducts a comparative analysis of total compensation for executive directors and other senior executives. For 2022, the analysis will consist of a 'peer group' made up by BBVA, BNP Paribas, Citi, Crédit Agricole, HSBC, ING, Itaú, Scotia Bank and Unicredit.

#### **Principle of equal pay for equal work and equal employment conditions for Santander executives and employees**

Santander applies the equal pay principle in the Corporate remuneration policy of Grupo Santander for executive directors and employees alike, which forbids any type of differential treatment that is not exclusively based on an assessment of performance results and corporate behaviours, and promotes equal pay for men and women.

Furthermore, our remuneration framework rewards Santander employees for their contribution based on such common principles as:

- **Meritocracy:** Non-discrimination based on sex, age, culture, religion or ethnicity.
- **Consistency:** Remuneration consistent with the level of responsibility, leadership and performance within the Group, to promote retention of key professionals and attract the best talent.
- **Sustainability:** A remuneration framework that is sustainable in terms of associated costs, cost control, and related objectives (as described in the policy) that ensure variable remuneration is commensurate with the Group's performance, disincentivize short-term commitment and promote long-term sustainability. The remuneration scheme for the c. 1,000 identified staff also includes deferral of up to 60% of variable remuneration, its payment 25% in Santander shares and 25% in Santander share options (also subject to one-year retention), and malus and clawback clauses.

Also, performance objectives for annual variable remuneration have included since 2020 ESG components aligned with our Responsible banking commitments. From 2022, with the purpose

of increasing focus on the group's Responsible banking agenda and highlight sustainability as a core long-term strategy, five new ESG metrics are included (described in the next section) for the last deferred variable remuneration payments.

- **Social responsibility:** Employees' pay cannot be lower than the legal minimum wage or the living wage in the country where they work. Additionally, in order to give our social responsibility prominence in remuneration, the Group's Responsible banking objectives for employee remuneration include the people financially empowered metric.
- **Performance-based pay:** Variable remuneration is subject to the achievement of (i) annual objectives (set out in section 6.4.B.ii.B), which reflect customer and profitability strategy, promote proper risk management and cost-effective capital allocation, and discourage short-term management focus; and (ii) long-term objectives (set out in section 6.4.B.ii.B), which support a sustainable balance sheet, shareholder return, the Group's profitability and sustainability of the Group's activities and the way they are carried out.

### **Directors' remuneration for 2022**

#### **A. Directors' remuneration in their capacity as such**

In 2022, directors, in their capacity as such, will receive remuneration for supervisory and collective decision-making duties for a total of up to 6 million euros as authorised by the shareholders at the April 2021 AGM (which will again be put to a vote at the 2022 AGM). It consists of:

- annual allocation; and
- attendance fees.

The amounts agreed for 2022 are the same as initially established for 2021 (disclosed in section 6.2.B and C above), with the exception of the annual board member allotment (which is to increase from EUR 90,000 to EUR 95,000).

The specific amounts and the form of payment are determined by the board of directors in the manner described in section 6.2 above, based on the objective circumstances of each director.

Additionally, as indicated in the description of the director remuneration system, Banco Santander will pay its directors' the corresponding civil liability insurance premium in 2022. The related policy is common to all executives and was taken out under usual market condition, proportionate to Banco Santander's situation.

#### **B. Executive directors' remuneration for the performance of executive duties**

##### **i) Fixed remuneration components**

###### **A) Gross annual salary**

On the remuneration committee's recommendation, the board resolved that Ana Botín and José Antonio Álvarez's gross annual salaries would be the same for 2022 as in 2021.

Their gross annual salary amounts may increase owing to adjustments made to the fixed remuneration mix based on the criteria approved by the remuneration committee, provided this does not entail any cost increase for Banco Santander.

**B) Other fixed remuneration components**

- Benefit systems: defined contribution schemes as set out in section 'Pre-retirement and benefit schemes'<sup>26</sup>.
- Supplement to fixed salary: Ana Botín will receive the fixed salary supplement for an amount of EUR 525 thousand in 2022, and José Antonio Álvarez, EUR 710 thousand, that was approved in 2018 when the supplementary death and disability pension schemes were eliminated.
- Social welfare benefits: executive directors will also receive social welfare benefits such as life insurance premiums, medical insurance and the allocation of remuneration to employee loans, in accordance with Banco Santander's general policy for senior management, and in the same terms as the rest of employees. Likewise, the Bank makes available to directors the human and material means required or considered appropriate for carrying out their duties (including any travel required for the exercise of their role). Any eventual private use of these means by the executive directors is duly paid by them under the terms and conditions approved by the board of directors upon proposal from the remuneration committee. This information can also be found under the 'Pre-retirement and benefit plans' section

**ii) Variable remuneration components**

The board approved the policy on executive directors' variable remuneration for 2022 on the remuneration committee's recommendation, based on the remuneration policy principles described under section [6.3](#).

Executive directors' variable remuneration consists of a single incentive scheme, linked to the achievement of short-and long-term objectives. It is structured as follows:

- The final amount of variable remuneration will be set at the start of the following year (2023) based on the benchmark amount and subject to compliance with the annual objectives described under section B) below.
- 40% of the incentive will be paid immediately once the final amount has been set, and 60% will be deferred in equal parts paid out over five years and subject to long-term metrics:
  - The amount deferred over the first two years (24% of the total) will be paid in 2024 and 2025 on the condition that no malus clauses described under section 6.3 B vi) are triggered.
  - The amount deferred over the next three years (36% of the total) will be paid in 2026, 2027 and 2028, on the condition that no malus clauses are triggered and long-term targets –described in section D) Deferred incentive subject to long-term performance objectives– are met.

The Group can claw back incentives already paid in the cases and during the term set out in its malus and clawback policy, described under section [6.3 B vi\)](#).

Exceptionally, when a new executive director joins Banco Santander, his/her variable pay may include a sign-on bonus and/or buyouts.

Variable components in executive directors' total remuneration for 2022 cannot exceed the limit of 200% of fixed components submitted for approval to the 2022 AGM. However, under EU

regulations on remuneration, certain variable components can be excluded.

**A. Variable remuneration benchmark**

Variable remuneration for executive directors in 2022 will be set based on a standard benchmark contingent upon the full achievement of their set individual targets, which for 2022 among others include, both for the executive chair and the CEO, increasing CET1 and sustainability targets.

The board of directors may revise the variable pay benchmark on the remuneration committee's recommendation and following market and internal contribution criteria.

**B. Setting of final variable remuneration based on yearly results**

Based on that standard benchmark, 2022 variable remuneration for executive directors will be based on the corporate bonus pool, and set according to:

- Short-term quantitative metrics for annual objectives, which reduce from the four used in 2021 to three (customers, RoTE and RoRWA) to reflect strategic priorities regarding customers and profitability.
- A qualitative assessment that cannot raise or lower the quantitative result by more than 25%, which among other elements includes metrics on capital and progress on ESG commitments.
- An exceptional adjustment that must be supported by duly substantiated evidence and may involve changes owing to control and/or risk deficiencies, negative assessments from supervisors or unexpected material events.

Capital continues to be an important part of key employees' remuneration (including executive directors), due to the management of RWA (RoRWA metric weights 40%), the inclusion of CET1 in the qualitative assessment below and also the individual targets of the executive chair, the CEO and all executives running businesses.

<sup>26</sup> As indicated in the next section, executive directors contribution to the benefit systems includes both fixed and variable components

The new scorecard below provides the proposed quantitative metrics, qualitative assessment factors and weightings:

Category and weighting	Quantitative metrics	Qualitative assessment
Customers (30%)	NPS <sup>A</sup> and total customers and loyal customers	Customer conduct Risk. Measurement of additional customer satisfaction metrics, such as easy access to service or response time
	Return - RoTE: return on tangible equity <sup>B</sup> (30%)	CET1 - Efficient capital adequacy management Appropriate management of operational risk, risk appetite and recorded breaches
Shareholders (70%)		Sustainable and sound results and efficient cost management
	RoRWA <sup>B</sup> (Return on risk weighted assets) (40%)	Suitability of business growth compared to the previous year in view of market conditions and competition Annual progress on Responsible banking commitments (as shown in Section D below for 2022)

A. Net promoter score.

B. For this purpose, these metrics may be adjusted upwards or downwards by the board, following a proposal from the remuneration committee, when inorganic transactions, material changes to the Group's composition or size or other extraordinary circumstances (such as impairments, share buybacks, legal changes or restructuring procedures) have occurred which affect the suitability of the metric and achievement scale established in each case and resulting in an impact not related to the performance of the executive directors and executives being evaluated.

Lastly, as additional conditions for determining the incentive, the following circumstances must be confirmed to set variable pay:

- If the Group's ONP for 2022 were 50% less than in 2021, variable pay would in no case exceed 50% of the benchmark incentive for 2022.
- If the Group's ONP were negative, the incentive would be zero.

When setting individual bonuses, the board will also consider restrictions to the dividend policy imposed by supervisors.

### C) Forms of payment of the incentive

Variable remuneration will be 50% in cash, 25% in shares and 25% in share options. One portion is paid in 2023 and the other is deferred for five years and subject to long-term metrics:

- 40% of variable remuneration is paid in 2023 net of tax, with 50% in cash, 25% in shares and 25% in share options.
- 60% paid, if applicable, in five equal parts in 2024, 2025, 2026, 2027 and 2028 (net of tax), with 50% in cash, 25% in shares and 25% in share options under the conditions stipulated in section E).

The final three payments will also be subject to long-term objectives described in section D) below.

Shares shall be subject to a three-years retention period, unless the executive directors already hold shares for an amount equivalent to 200% of their fix annual remuneration -in which case the regulatory one year retention period will apply. For share options, the retention period applied will be in accordance with the rules of the plan

approved by the board of directors to comply with applicable regulations and regulatory recommendations.

Options will not include any premium, as they will be valued at fair market price at the moment when they are awarded. They may be exercised from the moment they are delivered to the executive, in accordance with the deferral calendar above, and until the tenth anniversary of the date when they are delivered.

### D) Deferred variable pay subject to long-term objectives

As indicated above, the amounts deferred in 2026, 2027 and 2028 will be paid on the condition that the group achieves its long-term targets for 2022-2024, in addition to the terms described in section E).

As advanced in section B) on the principles of the remuneration policy, the new long-term targets are:

- Banco Santander's consolidated Return on tangible equity (RoTE) target in 2024. The RoTE ratio for this target is obtained as follows:

RoTE in 2024 (%)	'RoTE Ratio'
≥ 15%	1.5
≥ 12% but < 15%	0 – 1.5 <sup>A</sup>
< 12%	0

A. Straight-line increase in the RoTE ratio based on the percentage of specific RoTE in 2024 within this bracket of the scale.

To verify compliance with this objective, the board, following a proposal from the remuneration committee, may adjust it to remove the effects of any regulatory change to its calculation rules or any extraordinary circumstances (such as impairments, corporate transactions, share buybacks or restructuring procedures) that have occurred which affect the suitability of the metric and achievement scale established in each case and resulting in an impact not related to the performance of the executive directors and executives being evaluated.

- Relative performance of Banco Santander's total shareholder return (TSR) in 2022-2024 in respect of the weighted TSR of a peer group comprising 9 credit institutions, with the appropriate TSR ratio based on the group's TSR among its peers.

Ranking of Santander TSR	'TSR Ratio'
The 100 <sup>th</sup> percentile	1.5
Between the 75 <sup>th</sup> and 100 <sup>th</sup> percentiles (not inclusive)	1 – 1.5 <sup>A</sup>
Between the 40 <sup>th</sup> and 75 <sup>th</sup> percentiles (not inclusive)	0.5 – 1 <sup>A</sup>
Less than the 40 <sup>th</sup> percentile	0

A. Increase in the TSR ratio proportional to the number of positions moved up in the ranking.

TSR<sup>27</sup> measures the return on shareholders' investment. It is the sum of the change in share price plus dividends and other similar items (including the Santander Scrip Dividend programme) shareholders can receive during the period.

The peer group comprises BBVA, BNP Paribas, Citi, Credit Agricole, HSBC, ING, Itaú, Scotiabank and Unicredit.

c. ESG (environmental, social and governance) metrics.

Achievement of this target will depend on the progress made on the Group's responsible banking commitments (described below):

1. Target for women in senior leadership positions by the end of 2024:

Women in senior leadership positions <sup>B</sup> (%)	Coefficient
≥ 30.5%	1.25
≥ 30% but < 30.5%	1 – 1.25 <sup>A</sup>
≥ 28% but < 30%	0 – 1 <sup>A</sup>
< 28%	0

A. Increase of the coefficient is proportional to its position on this line of the scale.

B. Senior leadership positions make up 1% of the total workforce

2. Financially empowered people target between 2019 and 2024:

Financially empowered people <sup>B</sup> (million)	Coefficient
≥ 14	1.25
≥ 13 but < 14	1 – 1.25 <sup>A</sup>
≥ 9 but < 13	0 – 1 <sup>A</sup>
< 9	0

A. Increase of the coefficient is proportional to its position on this line of the scale.

B. Unbanked, underbanked or financially vulnerable individuals receive tailored finance solutions and can increase their knowledge and resilience through financial education.  
More ambitious target than the public commitment announced due to the good performance of this metric.  
Furthermore, our financial inclusion target will always conform to the Group's credit risk policy without altering loanbook performance.  
The public commitment is measured with cumulative data since 2019 to align with our 2019-2025 responsible banking public commitments.

3. Green finance raised and facilitated target between 2019 and 2024:

Green Finance <sup>B</sup> (EUR Bn)	Coefficient
≥ 170	1.25
≥ 160 but < 170	1 – 1.25 <sup>A</sup>
≥ 120 but < 160	0 – 1 <sup>A</sup>
< 120	0

A. Increase of the coefficient is proportional to its position on this line of the scale.

B. Includes Grupo Santander's contribution to green finance: project finance; syndicated loans; green bonds; capital finance; export finance; advisory services, structuring and other products, to help customers transition to a low-carbon economy. Includes the public commitment and the launch of new products and green retail volumes.  
The public commitment is measured with cumulative data since 2019 to align with our 2019-2025 responsible banking public commitments.

4. Setting decarbonisation targets across the business following NZBA:

Sectors with decarbonisation targets (number)	Coefficient
≥ 11	1.25
= 10	1
≥ 0 but < 10	0 – 1 <sup>A</sup>

A. Increase of the coefficient is proportional to its position on this line of the scale.

The Group is working on aligning our climate-material portfolios with the goals of the Paris Agreement. In 2021, we set decarbonization targets for the coal and electricity generation industries, based on our ambition to be net zero by 2050. In February, we made our decarbonization targets public with a view to end financing for electricity-generating customers if the source of over 10% of their revenue is thermal coal; and to eliminating our exposure to coal mining entirely by 2030. In July 2021, we announced a new decarbonization target to reduce the emissions intensity of our electricity generation portfolio. As part of the NZBA, we have the obligation to set and announce interim emissions-related targets for 2030 (or sooner) regarding these ten industries by March 2024: electricity generation; coal; oil and gas, transport; iron and steel; aluminium; cement; mortgage lending; property; and agriculture (subject to the availability of data and methodologies, in line with our commitment to NZBA). To meet NZBA guidelines, we must disclose, at least, one target for portfolios of each of those ten industries.

5. Meeting the decarbonisation target set for Santander Power Generation Portfolio:

Emission intensity reduction of our power generation portfolio (%)	Coefficient
≥ 18.75%	1.25
≥ 15% but < 18.75%	1 – 1.25 <sup>A</sup>
≥ 0% <sup>B</sup> but < 15%	0 – 1 <sup>A</sup>

A. Increase of the coefficient is proportional to its position on this line of the scale.

B. In case emission intensity increase, the coefficient would be 0.

This commitment aims to make sure we succeed in lowering the emissions intensity of our electricity generation portfolio from 0.23 tCO<sub>2</sub>e/MWh (2019) to 0.18 tCO<sub>2</sub>e/MWh by 2025 and 0.11 tCO<sub>2</sub>e/MWh by 2030, in accordance with the "IEA – Net Zero emissions" scenario. From the 2019 baseline scenario of 0.23, a 21.7% emissions reduction is necessary to reach the 2025 target of 0.18. Cutting emissions from 2019 by between 15% and 18.75% will put us on the right path with momentum to reach the targets for our electricity generation portfolio by 2025 and 2030.

Each of the five Responsible banking commitments have the same weighting and this formula to calculate them:

$$C = (1/5 \times \text{Coefficient 1} + 1/5 \times \text{Coefficient 2} + 1/5 \times \text{Coefficient 3} + 1/5 \times \text{Coefficient 4} + 1/5 \times \text{Coefficient 5})$$

<sup>27</sup> TSR refers to the difference (%) between the final and initial values of capital invested in ordinary shares of Banco Santander. The final value is calculated based on the dividends or other similar concepts (such as the Santander Scrip Dividend programme) shareholders receive for this investment during the corresponding period -as if they had invested in more shares of the same type at the first date on which the dividend or similar concept was payable to shareholders- and the weighted average share price at that date. To calculate TSR, the weighted average daily volumes of the weighted average listing prices for the fifteen trading sessions prior to 1 January 2022 (exclusive) is considered (to calculate the initial value) and the fifteen trading sessions prior to 1 January 2025 (exclusive) (to calculate the final value).

The following formula will be used to set the annual amount of performance-based deferred variable remuneration in 2026, 2027 and 2028 ('Final annuity'), without prejudice to any adjustment deriving from the application of the malus policy (see section 6.3 B vi):

$$\text{Final annuity} = \text{Amt.} \times (2/5 \times A + 2/5 \times B + 1/5 \times C)$$

where:

- 'Amt.' is one third of variable remuneration deferred conditional on performance (i.e. Amt. will be 12% of the total incentive set in early 2023).
- 'A' is the RoTE coefficient according to the scale in the table above, based on RoTE at year-end 2024.
- 'B' is the TSR ratio calculated as the scale in the table above, according to the relative performance of Banco Santander's TSR within its peer group in 2022-2024.
- 'C' is the coefficient resulting from the sum of weighted coefficients for each of the five Responsible banking commitments for 2024 (see section (c) above).
- In any event, if the result of  $(2/5 \times A + 2/5 \times B + 1/5 \times C)$  is greater than 1.25, the multiplier will be 1.25.

The estimated maximum amount to be delivered in shares or share options to executive directors is 11.5 million euros.

#### E) Other terms of the incentive

Payment of the deferred amounts (including those linked to long-term targets) if they remain in the group and none of the circumstances triggering malus clauses arising (as per the malus and clawback section in the group's remuneration policy) under terms similar to those indicated for 2021. Furthermore, the group can claw back paid incentives under the scenarios, period and terms and conditions set out in the remuneration policy.

Hedging the value of Santander shares or share options received during the retention and deferral periods is expressly prohibited.

The effect of inflation on the deferred amounts in cash may be offset.

Selling shares is also prohibited for at least one year since the delivery. Shares received by the exercise of options, as well as cash proceeds deriving from exercise by differences, will be in accordance with the rules of the plan approved by the board of directors.

The remuneration committee may propose to the board adjustments in variable remuneration under exceptional circumstances owing to internal or external factors, such as requirements, orders or recommendations issued by regulatory or supervisory bodies. Such adjustments will be described in detail in the report on the remuneration committee and the annual report on directors' remuneration put to a non-binding vote at the annual general meeting.

#### iv. Shareholdings

As described in section 6.3.E, in addition to the regulatory obligation not to sell shares they receive as remuneration for a year since from their award date, in order to comply with recommendation 62 of the Spanish Corporate Governance Code, the policy on shareholdings includes the obligation for executive directors not to sell the shares they receive as variable remuneration for a period of three years from their award date, unless the executive director already holds Banco

Santander shares for an amount equivalent to twice his/her annual salary. For share options, the retention period applied will be in accordance with the rules of the plan approved by the board of directors to comply with applicable regulations and regulatory recommendations.

### Directors' remuneration for 2023 and 2024

#### A. Directors' remuneration

For 2023 and 2024, no changes to directors' remuneration are planned for 2022. However, shareholders at the 2023 or 2024 annual general meeting could approve an amount higher than the six million euros currently in force, or the board could approve an alternative allocation of that amount to directors in accordance with article 58.2 of Banco Santander's Bylaws (duties and responsibilities; positions held on the board; their membership and attendance at committee meetings; and other objective circumstances).

#### B. Directors' remuneration for the performance of executive duties

Executive directors' remuneration will conform to principles similar to those applied in 2022, with the following changes.

##### i. Fixed components of remuneration

###### A) Gross annual salary

Executive directors' annual gross fixed pay may be adjusted each year based on the criteria approved by the remuneration committee at any given time. For 2023 and 2024, it may not increase above 5% of their annual gross salary in the previous year. It could also increase over that threshold owing to adjustments made to the fixed remuneration mix based on standards approved by the remuneration committee, as long as it will not increase the Group's costs.

The 5% increase mentioned above may be higher for one or several directors provided that, when applying the rules or requirements or supervisory recommendations that may be applicable, and if so proposed by the remuneration committee, it is appropriate to adjust their remuneration mix and, in particular, their variable remuneration, in view of the functions they perform.

This should not increase executive directors' total remuneration. Otherwise, it must be disclosed in the report on the remuneration committee and the annual report on director's remuneration put to a non-binding vote at annual general meeting.

###### B) Other fixed remuneration components

No changes planned in respect of the terms for 2022.

##### ii) Variable remuneration components

The policy on executive directors' variable remuneration for 2023 and 2024 will be based on the same principles as in 2022, following the same single-incentive scheme described above, and subject to the same rules of operation and limitations.

###### A) Setting variable remuneration

Executive directors' variable remuneration for 2023 and 2024 will be set based on the corporate bonus pool and a benchmark approved for each year which takes into account:

- a set of short-term quantitative metrics measured against annual objectives and aligned with the group's strategic plan. These metrics will also cover, at least, shareholder return targets, capital and customers. They can be measured at group level and, where applicable, at division level, for a specific business division headed by an executive director. The results of each metric can be



contrasted with the budget for the financial year, as well as with growth from the previous year.

- a qualitative assessment that cannot raise or lower the quantitative result by more than 25%. It will be conducted for the same categories as the quantitative metrics, including shareholder returns, risk and capital management and customers.
- an exceptional adjustment that must be duly substantiated and may involve changes owing to control and/or risk shortfalls, negative assessments from supervisors or unexpected material events.

The quantitative metrics, qualitative assessment and potential extraordinary adjustments will ensure main objectives are considered from the perspective of the various stakeholders and that the importance of risk and capital management is factored in.

Once the corporate bonus pool is fixed according to the criteria above, the board of directors, further to a proposal from the remunerations committee, decides on the individual bonus, taking into consideration the level of achievement of their individual objectives, which in general terms coincide with the bonus pool metrics (60%) and their compliance with corporate values (40%).

Lastly, the following circumstances must be confirmed to set variable remuneration:

- If ONP does not reach a certain compliance threshold, the incentive cannot exceed 50% of the year's incentive benchmark.
- If the group's ONP were negative, the incentive would be zero.
- When setting individual variable pay, the board will also consider restrictions to the dividend policy imposed by supervisors.

### B) Forms of payment of the incentive

No changes to pay forms are planned in respect of the terms in place for 2022.

It is also envisaged that for 2023 and 2024 Ana Botín would receive the equivalent of EUR 500 thousand in RSUs, and José Antonio Álvarez would receive the equivalent of EUR 410 thousand in RSUs, under PagoNxt, S.L.'s long term incentive plan. Each RSU would grant the right to a share in PagoNxt, S.L. or the holding entity of its group (or its equivalent in cash) at the moment when, according to such plan, a liquidity event, a repurchase or a liquidation of such instruments takes place.

The RSUs will substitute part of their Santander variable pay instruments without increasing their total pay and will not represent more than 10% of their variable pay.

### C) Deferred variable remuneration subject to long-term objectives

The last three annual payments of each deferred variable remuneration amount will be made in accordance with the terms described under section E) above and if the Group fulfils long-term objectives for at least three years. This may confirm, reduce or increase payment amounts and the number of deferred shares.

Long-term metrics will, at least, cover value creation and shareholder returns as well as capital and sustainability over a minimum period of three years. They will be aligned with the group's strategic plan and main priorities towards its stakeholders. They can be measured for the entire group or by country or business, when appropriate, and subsequently compared to a group of peers.

The portion paid in shares cannot be sold until one year has elapsed since delivery. For share options, the retention period applied will be in accordance with the rules of the plan approved by the board of directors.

### D) Other terms of the incentive

No changes to the continuity, malus and clawback clauses of the remuneration policy for 2022 described in section E are expected. Furthermore, no changes are planned in respect of the clauses on hedging shares or the deferred amounts in cash adjusted for inflation.

### iii) Shareholdings

The policy on shareholdings approved in 2016, with the amendment introduced in 2020 relating to not selling the shares they receive as variable remuneration for a period of three years detailed in section 6.3.E above will apply in 2023 and 2024, unless the remuneration committee proposes it be amended to the board in light of exceptional circumstances (regulations, orders or recommendations from regulators or supervisors). Such amendments would be described in detail in the report on the remuneration committee and the annual report on director's remuneration put to a non-binding vote at the annual general meeting.

### iv) Principle of equal pay

The same principle of equal pay that applies for executive directors and any other Santander employee described in respect of 2022 applies for 2023 and 2024.

### Terms and conditions of executive directors' contracts

Executive directors' terms of service are governed by board-approved contracts they sign with Banco Santander. The basic terms and conditions, besides those relating to the remuneration mentioned above, are the ones described herebelow.

#### A. Exclusivity and non-competition

Executive directors may not contract with other companies or entities to perform services, unless expressly authorised by the board of directors. In all cases, they are bound by a duty of non-competition in relation to companies and activities similar in nature to Banco Santander and its consolidated group.

In addition, executive director contracts impose prohibitions on competing and attracting customers, employees and suppliers, which can be enforced for two years after their termination in their executive duties for reasons other than a breach by Banco Santander. In regard to Ana Botín and José Antonio Álvarez, the compensation to be paid by Banco Santander for this duty of non-competition is twice the amount of the fixed remuneration.

#### B. Code of Conduct

Executive directors are obliged to adhere strictly to the group's General Code and the Code of Conduct in Securities Markets, especially in terms of confidentiality, professional ethics and conflicts of interest.

#### C. Termination

The length of executive directors' contract is indefinite. Contracts do not provide for any severance payment upon termination apart from what the law provides.

If Ana Botín's contract is terminated by Banco Santander, she must remain available to the group for four months in order to ensure proper transition (6 months from the moment pre-retirement



provisions are taken out). During this period, she would continue to receive her gross annual salary.

#### D. Pre-retirement and benefit plans

The board of directors has approved in 2020, an amendment to the contracts of the executive directors whereby:

- Ana Botín ceases to have the right to pre-retire if she leaves Banco Santander out of her own volition, keeping this right in case of termination by Banco Santander until 31 August 2022. After this date, she does not have the right to pre-retire. While she keeps this right she will be entitled to an annual allotment equal to the sum of her fixed remuneration and 30% of the average amount of her last variable remuneration, to a maximum of three. This allotment is subject to the malus and clawback provisions in place for a period of five years.
- José Antonio Álvarez ceases to have the right to pre-retire in case of termination of his contract.

They both participate in the defined contribution scheme created in 2012, which covers the contingencies of retirement, disability and death. Banco Santander makes annual contributions to executive directors' benefit plans schemes. Annual contributions are calculated in proportion to executive directors' pensionable bases, and the group will continue to make them until the executive directors' leave the group or until their early retirement within the group, their death or disability (including during pre-retirement). The pensionable base of executive directors' annual contributions is their fixed remuneration plus 30% of the average of their last three variable remuneration amounts. Contributions will be 22% of pensionable bases.

The pension amount that corresponds to contributions linked to variable remuneration will be invested in Santander shares for five years from the earlier of the date of retirement or cessation. It will be paid in cash after the five years have elapsed or on the retirement date (if later). Moreover, the malus and clawback clauses for variable remuneration contributions will apply for the same period as the related bonus or incentive.

This benefit plan is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. Executive directors' economic rights under the scheme belong to them even if they are not active in the group at the time of their retirement, death or disability. Their contracts do not provide for any severance pay upon termination apart from what the law provides and in the case of pre-retirement, the aforementioned annual allotment.

#### E. Insurance and other remuneration and benefits in kind

Ana Botín and José Antonio Álvarez will receive the supplement to their fixed remuneration approved when the supplementary life and health benefits were eliminated in 2018. It will be paid in 2022, 2023 and 2024 in the same amount and continue to be paid until they reach retirement age (even if they are still active).

The group has life and health insurance policies taken out for directors. Insurance premiums for 2022 include standard life insurance and the life insurance cover with the supplement to their fixed remuneration mentioned above. In 2023 and 2024, premiums could vary if directors' fixed pay or actuarial circumstances change.

Furthermore, executive directors are covered by Banco Santander's civil liability insurance policy and may receive other benefits in kind (such as employee loans) pursuant to the group's general policy and subject to the corresponding tax treatment. Likewise, the Bank makes

available to directors the human and material means required or considered appropriate for carrying out their duties (including any travel required for the exercise of their role). Any eventual private use of these means by the executive directors is duly paid by them under the terms and conditions approved by the board of directors upon proposal from the remuneration committee.

#### F. Confidentiality and return of documents

Directors are bound to a strict duty of confidentiality during their relationship and subsequent to termination. Executive directors are required to return any documents and items relating to their activities and in their possession to Banco Santander.

#### Agreements with non-executive members of the board

Sergio Rial signed an agreement (effective on 1 January 2022) as strategic adviser to Grupo Santander for providing specific advisory services on strategic and digital transformation, including also business development in the Asian markets and other strategic matters. He will receive fixed remuneration of EUR 2.1 million and variable pay of EUR 1 million, subject to the achievement of objectives. The agreement is for an indefinite term. It also includes a one year non-compete commitment which would entitle him to receive EUR 2 million if he complies with this commitment.

Luis Isasi has a contract since 4 April 2020 to act as non-executive chair of the board of Santander España (for which he receives EUR 925,000 a year) and to serve as a member of the board of Santander España (for which he receives EUR 75,000 a year). His contract is permanent and does not entitle him to any compensation if terminated.

#### Appointment of new executive directors

The components of remuneration and basic structure of the agreements described in this remunerations policy will apply to any new director that is given executive functions at Banco Santander, notwithstanding the possibility of amending specific terms of agreements so that, overall, they contain conditions similar to those previously described.

Directors' total remuneration for executive duties cannot exceed the highest remuneration received by the group's current executive directors under the remuneration policy approved by shareholders. The same rules apply if a director assumes new duties or becomes an executive director.

If a director takes up executive functions in a specific division or local unit, the board of directors, on the remuneration committee's recommendation, can adapt the metrics for setting and paying incentives to take that division or local unit into account in addition to the group.

Remuneration paid to directors in that capacity will be included within the maximum amount set by shareholders to be distributed by the board of directors in the terms described above.

A new director coming from an entity outside Santander Group could be paid a buyout to offset any variable remuneration foregone for having accepted a contract with the group; and/or a sign-on bonus for leaving to join Banco Santander.

This compensation could be paid fully or partly in shares and share options, depending on the delivery limits approved at the annual general shareholders' meeting. Authorization is expected to be sought at the next general shareholders' meeting in order to deliver a

maximum number of shares and share options to any new executive directors or employees to whom buyout regulations apply.

Furthermore, sign-on bonuses can only be paid once to new executive directors, in cash or in shares, and in each case they will not exceed the sum of the maximum variable remuneration awarded for all executive directors.

In 2021, no executive director appointments could trigger buy outs, sign-on bonuses or any other form of remuneration.

### Temporary exceptions to the remuneration policy

According to section 6 of Article 529 *novedecies* of the Spanish Companies Act, specific exceptions may apply to components in the remuneration policy, based on particular business needs or macroeconomic context in the Group's geographies, provided that they are required to serve the long-term interests and sustainability of the entity; ensure its viability; and require to be adopted urgently.

Such exceptions include:

- Complex macroeconomic scenarios where the ordinary course of the business is severely impacted.
- The appointment of a new executive chair or chief executive officer, or the need to retain an executive director to avoid a vacancy at the head of the Group (*vacatio regis*) during especially complex times for the business.
- The need to adapt to regulatory change.

To apply, exceptions must be supported by:

- a reasoned remuneration committee proposal; and
- board of directors analysis and approval.

Any applied exception will be explained in the *Annual report on directors' remuneration*.

## 6.5 Preparatory work and decision-making for the remuneration policy; remuneration committee involvement

Section 4.7 '[Remuneration committee activities for 2021](#)', (the report on the remuneration committee) states:

- Pursuant to Banco Santander's bylaws and the Rules and regulations of the board of directors, the duties relating to the remuneration of directors performed by the remuneration committee.
- How the remuneration committee is composed on the date the report is approved.
- The number of meetings it had in 2021, including joint sessions with the risk, compliance and regulation supervision committee.
- The date of the meeting in which the report was approved.
- The 2020 annual report on directors' remuneration was approved by the board of directors and put to a binding vote at the 2021 AGM, with 91.6% of the votes in favour. The tally of the votes was:

	Number	% of total <sup>A</sup>
Votes	11,397,073,138	97.12 %

	Number	%
Votes for <sup>B</sup>	10,434,787,981	91.59 %
Votes against <sup>B</sup>	957,730,594	8.41 %
Blank <sup>C</sup>	4,554,563	0.04 %
Abstentions <sup>C</sup>	338,103,702	2.88 %

A. Percentage on total valid votes and abstentions.

B. Percentage of votes for and against.

C. Percentage of share capital present and attending by proxy at the Ordinary Shareholders' Meeting.

### Decision process for the development, review and application of the policy

Pursuant to Article 529 *novedecies* of the Spanish Companies Act, the remuneration committee issues the report on the proposed remuneration policy for 2022, 2023 and 2024 herein. The board of directors then submits it to the 2022 AGM as a separate item on the agenda and an integral part of this text. See section 6.4 'Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote'.

Banco Santander's Compensation function prepares the remuneration policy with the suggestions, requests and comments received during the year from the human resources committee, remuneration committee and the board of directors. A first draft of the policy is submitted to the remuneration committee for review every January. The review considers the suggestions, requests and comments the chair and lead director receive through shareholder and stakeholder engagement during the year on our corporate governance and our remuneration structures. Regulators' recommendations and legal requirements that may have come to light since the last time the director remuneration policy was submitted for approval by the annual general meeting are also considered.

The committee also makes sure the policy is consistent with the Group's culture and our Simple, Personal and Fair values. The Compensation function then prepares the final draft for the remuneration committee to submit to the board of directors for approval in February.

Based on the analysis carried out in the context of the 2021 annual remuneration report elaboration and its continued supervision of the remuneration policy, the remuneration committee believes the director remuneration policy for 2022, 2023 and 2024 which is included in section 6.4 above is consistent with the principles of Banco Santander's remuneration policy and its remuneration scheme set out in the Bylaws.

As detailed herein, the policy considers (i) further simplifying our executive remuneration scheme by reducing the four metrics relating to annual results to three (i.e. customers, RoRWA and RoTE) and combining more simplicity with our key strategic pillars of customers and profitability, without losing sight of proper risk and capital management, which is also added as qualitative element for the result; (ii) introducing share options as part of variable pay, with the aim of creating a greater alignment with shareholder returns; and (iii) updating the metrics linked to the achievement of multi-year objectives, maintaining total shareholder return (TSR) and introducing RoTE and ESG-related metrics related to our Responsible banking commitments, in order to adhere to best market practice and our stakeholders' preferences, prioritizing long-term profitability for

shareholders and Santander, as well as a stable and sustainable balance sheet and operations.

In 2021, no deviations from, or temporary exceptions to, the application of the remuneration policy occurred.

## 6.6 Remuneration of non-director members of senior management

2021 variable remuneration was approved by the board of directors on 1 February 2022 in view of the recommendation the remuneration committee of 31 January 2022. It was set according to Banco Santander's general remuneration policy as well as specific details pertaining to senior management.

In general, senior management variable remuneration packages were calculated with the quantitative metrics and qualitative assessment used for executive directors (see section [6.3 B ii](#)).

Some senior managers' contracts were amended in 2018 in the same manner described under 6.3.C and D in respect of Ana Botín and José Antonio Alvarez, with a pension scheme of 22% of their pensionable bases, the elimination of supplementary benefits, an increase of the insured sum of life insurance and a supplement to fixed remuneration in cash which is included under "Other remuneration".

The following table shows the amounts of short term remuneration (immediately payable) and deferred remuneration (not linked to multi year targets) for senior management as of 31 December 2021 and 2020, excluding those of executive directors. This amount has been reduced by 33% compared to that reported in 2014 (EUR 80,792 thousand):

EUR thousand							
Short-term and deferred salary remuneration							
Year	Number of people	Fixed	Immediately receivable variable remuneration (50% in shares) <sup>A</sup>	Deferred variable remuneration (50% in shares) <sup>B</sup>	Pension contributions	Other remuneration <sup>C</sup>	Total <sup>D</sup>
2021	15	19,183	16,804	7,296	5,542	5,055	53,880
2020	18	21,642	11,479	4,941	6,039	6,312	50,413

A. The amount immediately payable in shares in 2021 was 2,707 thousand Santander shares (2,136 thousand Santander shares in 2020).

B. The amount of deferred shares in 2021 was 1,175 thousand Santander shares (919 thousand Santander shares in 2020).

C. Includes life insurance premiums, health insurance and relocation packages and other remuneration items.

This table breaks down remuneration linked to multi-year targets for senior management (excluding executive directors) at 31 December 2021 and 2020, which they will only receive if they meet the terms of continued service; non-applicability of malus clauses; and long-term goals are met during deferral periods.

Thousands of euros		
Year	Number of people	Deferred variable remuneration subject to long-term metrics <sup>A</sup> (50% in shares) <sup>B</sup>
2021	15	7,660
2020	18	5,188

A. In 2021, this corresponds to the fair value of maximum annual payments for 2025, 2026 and 2027 in the sixth cycle of the plan for deferred variable remuneration linked to multi-year targets. In 2020, this corresponds to the estimated fair value of maximum annual payments for 2024, 2025 and 2026 in the fifth cycle of the plan for deferred variable pay linked to multi-year targets. Fair value in the plan was determined on the authorization date based on the valuation report of independent expert Willis Towers Watson. Based on the plan for 2021 and success levels of similar plans at peer entities, the expert found a range of 60%-80% reasonable to estimate the initial success ratio. Therefore, fair value was considered to be 70% of the maximum value.

B. The number of shares in Santander as deferred variable pay subject to long-term metrics shown in the table above was 1,234 thousand in 2021 (965 thousand shares in Santander in 2020).

The long-term goals are the same as those for executive directors. They are described in section [6.3 B iv](#).

Senior executives who stepped down from their roles in 2021 consolidated salary remuneration and other remuneration until the cessation of their duties for a total amount of EUR 5,294 thousand during the year (EUR 5,984 thousand for those who stepped down from their roles in 2020). They also have the right to receive, in total, 55 thousand euros in variable pay subject to long-term targets (EUR 133 thousand for those who stepped down from their roles in 2020).

At our 2021 AGM, shareholders approved the 2021 Digital Transformation Incentive, a variable remuneration scheme that delivers Santander shares and share options if the group hits major milestones on its digital roadmap, and is aimed at a group of up to 250 employees whose functions are deemed essential to Santander's growth. No senior executives are included within this plan in 2021.

The 2020 Digital Transformation Incentive, which terms are substantially the same as those of the 2021 one, included three senior executives, who may receive a total of EUR 1,700 thousand.

See [Note 46](#) to the 2021 Group's consolidated financial statements for further information on the Digital Transformation Incentive.

In 2021, the ratio of variable to fixed pay components was 125% of the total for senior managers, well within the maximum limit of 200% set by shareholders.

See [note 5](#) of the group's 2021 consolidated financial statements for further details.

## 6.7 Prudentially significant disclosures document

On the remuneration committee's recommendation, the board approves the key remuneration elements of managers or employees who, while not belonging to senior management, take on risks, carry out control functions (i.e. internal audit, risk management and compliance) or who receive global remuneration that places them in the same remuneration bracket as senior management and employees who take on risk. These are typically those whose professional activities may have an important impact on the Group's risk profile (all of these, together with the senior management and Banco Santander's board of directors form the so called 'Identified Staff' or 'Material Risk Takers')

Every year, the remuneration committee reviews and, if applicable, updates identified staff in order to include individuals within the organization who qualify as such. The Remuneration Policies chapter in the 2021 Pillar III disclosures report<sup>28</sup> of Banco Santander, S.A. explains the criteria and regulations followed to identify such staff.

At the end of 2021, 1,018 group executives (including executive directors and non-director senior managers) were considered identified staff (1,394 in 2020), which accounts for 0.52% of the total final workforce (0.73% in 2020).

Identified staff have the same remuneration standards as executive directors (see sections [6.1](#) and [6.3](#)), but not:

- Category-based deferral percentages and terms.
- The possibility in 2021 of certain manager categories of only having deferred variable pay subject to malus and clawback clauses (and not to long-term targets).
- The portion of variable remuneration paid or deferred as shares for group executives in Brazil, Chile and Poland that can be delivered in shares or similar instruments of their own listed entities (as in previous years).

In 2022, on top of the inclusion of share options, described in section 6.4 above, the board will maintain its flexibility to determine full or partial payment in shares or similar instruments of Banco Santander and its subsidiaries in the proportion it deems appropriate (according to the maximum number of Santander shares allocated at the general meeting and to any regulatory restrictions in each jurisdiction), in addition to the aforementioned introduction of share options in the executive pay of Banco Santander, S.A.

The aggregate amount of variable remuneration for identified staff in 2021, the amounts deferred in cash and shares, and the ratio of the variable to fixed remuneration components are explained in the remuneration policies chapter of Banco Santander's Pillar III disclosures report for 2021.

<sup>28</sup> The 2021 Pillar III disclosures report can be found on our corporate website.

# 7. Group structure and internal governance

Grupo Santander is structured into legally independent subsidiaries whose parent company is Banco Santander, S.A. Its registered office is in Santander (Cantabria, Spain), while its corporate centre is located in Boadilla del Monte (Madrid, Spain). It has a Group-Subsidiary Governance Model (GSGM) and good governance practices in place for its core subsidiaries. Any references to subsidiaries in this section are to the group's most prominent entities.

The key features of the GSGM are:

- The subsidiaries' governing bodies must ensure their rigorous and prudent management and economic solvency while pursuing the interests of their shareholders and other stakeholders.
- The subsidiaries are managed locally by teams that possess extensive knowledge on, and experience with, their customers and markets, while benefiting from the synergies and advantages of belonging to the Group.
- The subsidiaries are subject to local authority regulation and supervision, although the ECB supervises the Group overall.
- Customer funds are secured by the deposit guarantee schemes in the subsidiaries' countries and are subject to local laws.

The subsidiaries finance their own capital and liquidity. The group's capital and liquidity are coordinated by corporate committees. Intra-group risk transactions are limited, transparent and carried out under market conditions. Grupo Santander retains a controlling interest in subsidiaries listed in certain countries.

Each subsidiary runs independently and has its own recovery plan, limiting the contagion of risk between them and reducing systemic risk.

## 7.1 Corporate Centre

Banco Santander's GSGM is supported by a corporate centre, which brings control and support units together with functions such as strategy, risk, compliance, auditing, finance, accounting, technology and operations, human resources, legal services, internal governance, communications and marketing. It adds value to the Group by:

- Enhancing governance under robust corporate frameworks, models, policies and procedures to implement strategies and ensure effective Group oversight.
- Making the group's units more efficient through cost management synergies, economies of scale and a common brand.

- Sharing best practices in global connectivity, commercial initiatives and digitalization.

## 7.2 Internal governance

Grupo Santander's internal governance model outlines a set of principles that regulate three types of relationships with its subsidiaries:

- The subsidiaries' governing bodies are subject to the group's rules and procedures for structuring, forming and running boards of directors and audit, nomination, remuneration and risk committees, according to international standards and good governance practices. This includes embedding other group rules and regulations on the suitability, appointment, remuneration and succession plans of governing body members, which fully comply with local regulations and supervisory standards.
- The relationship between regional and country heads and the group CEO.
- The relationship between local and global heads of key control positions, following a three lines of defence model: chief officers for risk (CRO), compliance (CCO), audit (CAE), finance (CFO) and accounting (CAO), as well as other key support and business functions (Technology and Operations, HR, General Counsel, Legal Services, Marketing, Communications, Strategy, SCIB, and Wealth Management & Insurance).

The group has three regional heads who report to the group CEO and are responsible for consolidating and streamlining the management and coordination of its core countries in the three geographic areas where it operates: Europe, South America and North America. Their key responsibilities must be undertaken in compliance with European Union and country-specific laws and regulations, ensuring that the country heads' role and accountability (including regulatory responsibilities) are not compromised.

Since 2020, the Europe region (Spain, Portugal, Poland and UK) has the mandate to execute a pan-European operating model to deliver benefits of scale and efficiency that leverage common product and regional management structures in the countries. Specific coordination elements and organizational structures were defined to ensure the effective discharge of the Europe regional head's responsibilities, fully respecting local governance. Business and functional roles were also created to support and control those responsibilities.

The GSGM dictates rules for appointing those officers, setting their objectives (weighted 50% local and 50% group/regional) and variable pay, assessing their performance and planning their succession. It also explains how group officers should coordinate and interact with their subsidiary counterparts.

Grupo Santander has corporate frameworks for matters considered to have a material impact on its risk profile, covering risk, capital, liquidity, compliance, financial crime, technology, auditing, accounting, finance, strategy, human resources, outsourcing, cybersecurity, special situations management, and communications and brand. In 2021 a new Responsible Banking Corporate Framework was approved by the board. They also specify:

- How the Group should supervise and exert control over subsidiaries; and
- The group's involvement in subsidiaries' decision-making (and vice versa).

Banco Santander board of directors approves the GSGM and corporate frameworks for the subsidiary governing bodies to formally adhere to them. They take local requirements for subsidiaries into account, and are revised each year as required by the group's board and adapted to new legislation and international best practices.

The functions draw on corporate frameworks to prepare internal regulatory documents that are given to subsidiaries as a reference for implementing those frameworks effectively, cohesively and in compliance with local laws and supervisory requirements. This

approach ensures consistency throughout the Group. Every year an assessment is conducted by the Functions on the effective embedding of the contents of the group's internal regulation at local level. This information is presented by the internal governance office to the board of directors.

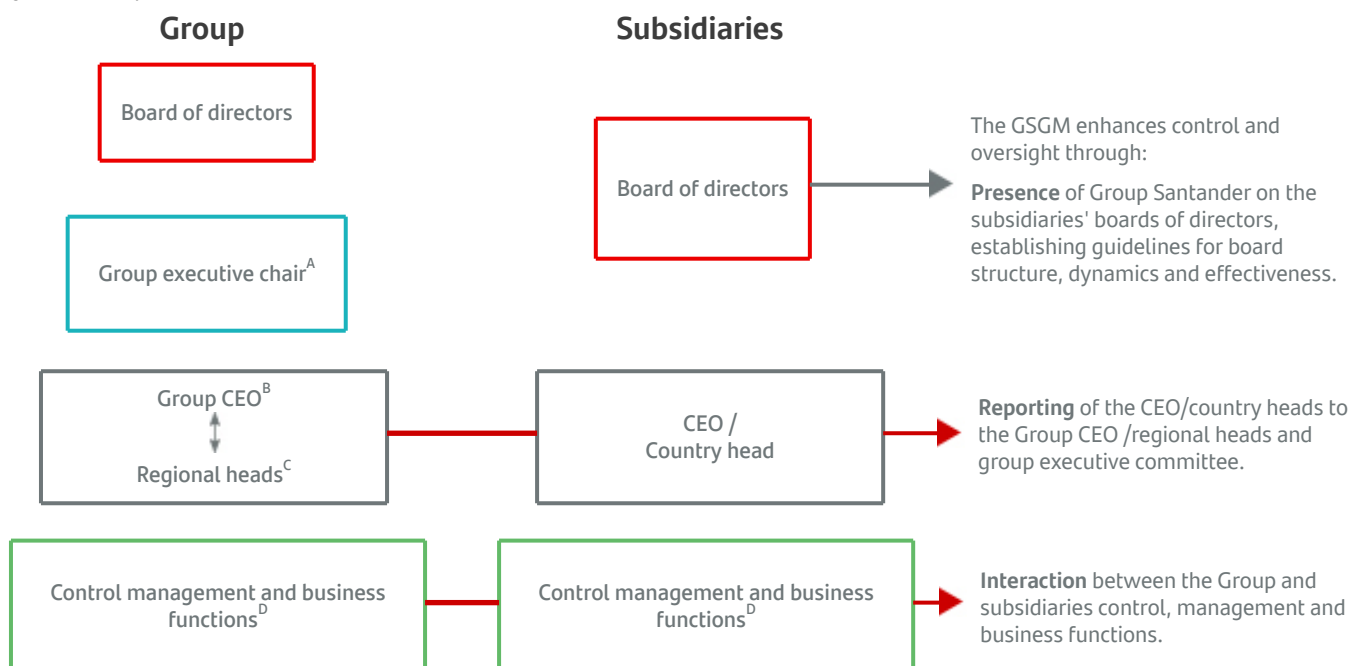
The group's internal governance office and subsidiary general counsels are responsible for embedding the governance model and corporate frameworks. Every year, the group assesses their performance in reports sent to governing bodies.

Since 2019, a policy for the governance of non-GSGM subsidiaries, completes and enhances the governance and control system that has been applied to those companies thus far.

Since 2020, PagoNxt, a wholly-owned subsidiary of Banco Santander that is structured as a dedicated holding company with a set of key initiatives on digitalizing the group's financial services, with payments at the core has its own governance model. This model defines an organizational and governance framework for PagoNxt and its subsidiaries in the context of the group-wide arrangements. It specifically covers the scope, principles, roles and responsibilities, key processes and governance bodies that should be in place to ensure that PagoNxt is managed in alignment with group, legal and supervisory expectations.

Also since 2020, Santander Corporate and Investment Banking (SCIB) and Wealth Management and Insurance have specific governance models to ensure robust, group-wide oversight of those businesses, as set out in the GSGM.

The following charts show the three levels of the GSGM, as well as the main actions to ensure an effective relationship and solid internal governance system for the Group.



A. First executive.

B. Second executive.

C. Europe, North America and South America, reporting to Group CEO.

D. Audit, Risk, Compliance, Finance, Financial Accounting & Control, IT & Operations, Human Resources, General Secretariat, Marketing, Communications, Strategy, Santander Corporate & Investment Banking and Wealth Management & Insurance.

**Best practices and talent sharing** across the whole Group and between subsidiaries is **key to our success**.

**Multiple point of entry structure** that has proved to be a **key resilience instrument** and is a result of our diversification strategy.

**Continuous collaboration and daily interaction** between local and corporate teams.

**A common set of corporate frameworks and policies** across the Group adapted to local market conditions.

Identifying **synergies and economies of scale** across the Group.

**Definition and implementation of new group-wide and local initiatives** to keep developing our management and control model.



# 8. Internal control over financial reporting (ICFR)

This section describes the key aspects of Grupo Santander's ICFR in respect of financial reporting, including:

- Control activities and control environment.
- Risk assessment in financial reporting.
- Reporting and communication.
- System monitoring.
- The external auditor's report.

## 8.1 Control environment

### Governance and control bodies

The board of directors approves the financial reports Banco Santander must publicly disclose as a listed company. It is the body that oversees and guarantees the integrity of the Group's systems for internal communication, operational and financial control, accounting, financial reporting and legal compliance.

The board of directors has an audit committee that assists with supervising the group's financial reporting and internal control systems (see section [4.5 'Audit committee activities in 2021'](#)).

The audit committee works with the external auditor to address every aspect with impact in the ICFR identified in audits. It also makes sure the external auditor issues a report on the group's system for ICFR.

### Responsibilities, General Code of Conduct, whistleblowing channel and training

#### Responsibility functions

Grupo Santander, through its corporate organization functions, in countries and businesses, defines, implements and maintains the unit's organizational structures, catalogue of roles and size. The corporate organization function defines and documents the corporate model for managing structures and templates which is used as a reference across the group.

The organizational units are in charge of identifying and defining the main functions under the responsibility of each structural unit, ensuring that the organization has a solid ICFRS model.

Grupo Santander has a responsibility scheme to identify potential risks and their mitigating controls under a three-pronged defence model that establishes lines of authority and accountability including:

The head of the financial accounting and control function (the CAO), which has the following functions concerning the generation of financial information, amongst others:

- Integrating the group's corporate accounting policies into its management and adapting them to local needs.
- Ensuring that appropriate organizational structures are in place to carry out the tasks assigned, as well as suitable hierarchical-functional structure.
- Running critical procedures (control models), based on corporate technology.
- Implementing the corporate accounting and management information systems and adapting them to the specific needs of each unit.

In order to preserve its independence, each controller reports hierarchically to the head of the entity or country in which it exercises its responsibilities (country head) and functionally to the head of the group's Financial Accounting and Control division.

The non-financial risk control function is responsible for:

- Establishing and circulating the methodology for documenting the group's Internal Risk Control System (IRCS) and IRCS evaluation and certification, which covers the ICFRS, amongst other regulatory and regulatory requirements. Grupo Santander's IRCS means the process carried out by the board of directors, senior managers and other group staff to provide reasonable assurance that their objectives will be achieved.
- Encouraging documentation maintenance to adapt it to organizational and regulatory changes and, along with the Financial Accounting and Control division, and, where applicable, representatives of the divisions and/or companies involved, to present the IRCS evaluation outcome to the audit committee. Similar functions in each unit that reports to the corporate non-financial risk control area.

### General Code of Conduct (GCC)

The group's GCC sets out the guidelines, principles and rules approved by the board of directors to govern Grupo Santander employees' conduct and ethics. Furthermore, it dictates guidelines in relation to accounting standards and financial reporting. The GCC can be viewed on our corporate website.

All of the group's employees, including members of its governance bodies, sign the Code of Conduct, even though some are also bound to the Code of Conduct in Securities Markets and other codes of

conduct specific to the area or business in which they work. Employees have access to e-learning courses on the Code and can consult the compliance and conduct function to address any queries about its application.

The GCC is a fundamental resource of the compliance function. It explains the duties of the group's governance bodies, units and areas required to implement it together with the compliance function.

If anyone violates the code, the human resources function adopts disciplinary measures and recommends corrective action (including work sanctions), irrespective of any related administrative or criminal sanctions.

The board of directors adapted the GCC in 2021 to forbid board members and employees from releasing external communications on Banco Santander's behalf or from acting as its representatives and employees if such communications could undermine the Group's neutrality by showing political or ideological bias. See the on the information on 'General Code of Conduct' section '[Conduct and ethical behaviour](#)' in the 'Responsible banking' chapter.

### Whistleblowing channel

Banco Santander's whistleblowing channel is called *Canal Abierto*. It is a confidential and anonymous means for employees to report unlawful acts, violations of the GCC and other behaviour contrary to corporate values. The channel enable communications by other people related to Banco Santander other than employees, such as shareholders, customers, suppliers and other third parties, ensuring that they are treated confidentially and anonymously.

It can also be used to report claims of accounting or auditing irregularities under SOX to the compliance and conduct function, which will elevate them to the audit committee for appropriate measures to be taken.

The channel does not require whistleblowers to give personal information in order to keep reports confidential before they the audit committee can review them. Only certain compliance and conduct function officers analyse reports to determine if matters pertain to accounting or auditing in order to submit them to the audit committee.

*Canal Abierto* is supervised jointly by the audit committee and the risk supervision, regulation and compliance committee depending on the subject of the complaint. The SOX attributes the authority to supervise the whistleblowing channel in matters that fall under the remit of the audit committee (specifically financial and accounting, including those related to the audit), while the supervision of reports of breaches of regulatory requirements for corporate behaviours or the internal governance system are the responsibility of the risk, regulation and compliance committee. The channel can be viewed on our corporate website.

For more information on the number of complaints filed on the channel and their typology, see the on the information on 'Ethical Channels' section '[A talented and motivated team](#)' in the 'Responsible banking' chapter, for additional information.

### Training

Group employees who help prepare or analyse financial information take part in training programmes and regular refresher courses specifically designed to teach them the concepts and skills they require to discharge their duties properly.

The Financial Accounting and Control division promotes, designs and oversees these programmes and courses. It has with support from the corporate learning and career development unit under the Human Resources division.

Training takes the form of both e-learning and on-site sessions monitored and overseen by the corporate learning and career development unit to guarantee that employees duly complete them and assimilate concepts properly.

Training programmes and refresher courses taught in 2020 focused on matters directly and indirectly related to the financial reporting. These subjects include: (i) risk analysis and management; (ii) accounting and financial statement analysis; (iii) the business, banking and the financial environment; (iv) financial management, costs and budgeting; (v) numerical skills; and (vi) calculations and statistics.

31,373 employees in the all of the group's markets were involved in training programmes. Over 545,459 training hours were spent at the corporate centre in Spain and remotely via e-learning. Furthermore, local units develop their own training programmes based on the parent's.

## 8.2 Risk assessment in financial reporting

The Group has a specific process to identify the companies that must be included in its scope of consolidation. The Financial Accounting and Control division and the General Secretariat division oversee this approach.

This process enables us to identify the entities the Grupo Santander controls through the voting rights that grant direct or indirect ownership of its capital and other entities controlled by others such as mutual funds, securitization funds and structured entities; analyses whether the group has control over an entity, whether it has rights to the variable returns of the entity or is exposed to them, and whether it can influence the amount of such variable returns. If the group is considered to have control, the entity is included in the scope of consolidation and is consolidated using the global integration method.

Otherwise, we analyse whether there is significant influence or joint control. If so, the entity is also included in the scope of consolidation and it is measured using the equity method.

For entities with the greatest impact on the preparation of the group's financial information, we implement an IRCS using a homogeneous methodology to make sure that relevant controls are included and all significant risks to financial reporting are covered.

The group's IRCS complies with the strictest international standards, particularly the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) within its last published Internal Control framework in 2013 which covers control targets for the effective and efficient operations, reliable financial reporting and regulatory compliance.

The risk identification process takes into account all the group's activities, the scope of which is greater than all the risks directly related to the preparation of the group's financial information.

The identification of potential risks that must necessarily be covered by the IRCS is based on management's knowledge and understanding of the business and its operations relative to the

importance and qualitative criteria associated with the type, complexity or structure of the business.

Banco Santander ensures there are controls to cover risks of errors and fraud in financial reporting, such as (i) the existence of assets, liabilities and transactions at the relevant date; (ii) the items are assets or rights or liabilities and obligations of the group; (iii) timely and correct recording and adequate valuation of assets, liabilities and transactions; and (iv) correct application of accounting principles and rules, as well as appropriate breakdowns.

The main features of the group's IRCS are as follows:

- It is a corporate model that involves the entire organizational structure through a direct set of individual responsibilities.
- Management of the IRCS documents is decentralized to the various units, while coordination and monitoring falls to the non-financial risk control area, which provides general criteria and guidelines to standardize procedure documents, control assessment, criteria for classifying potential deficiencies and regulatory adaptations.
- It is a global model primarily aimed at documenting activities to produce consolidated financial information and other procedures carried out by each entity's support areas that, without having a direct impact on the accounts, could lead to possible losses or contingencies in the event of incidents, errors, breaches of regulations and/or fraud.
- It is dynamic and constantly updated in order to reflect the reality of the group's business, risks and controls to mitigate them.
- It produces comprehensive documents on the processes within its scope and includes detailed descriptions of operations, assessment criteria and reviews.

All IRCS documents of the Group's companies are compiled on a corporate IT application that is used by employees of different levels of responsibility in the assessment and certification of the group's internal control system.

The audit committee is responsible for supervising Banco Santander and the group's regulated financial information procedures and the internal control systems.

### 8.3 Control activities

#### Revision and approval of financial information

The audit committee and the board of directors oversee the preparation and submission of the financial information required of Banco Santander and the Group, which includes the non-financial information and its integrity. They also review compliance with regulatory requirements, the scope of consolidation and the correct application of accounting criteria, ensuring that this information is permanently updated on the Banco Santander corporate's website.

The production, revision and approval of financial information and the description of ICFR is documented in a corporate tool that integrates the control model into risk management, including a description of activities, risks, tasks and controls associated with all operations that may have a significant effect on the financial statements. This documentation covers recurrent banking operations and one-off transactions (sale of investments, fixed assets transactions, etc.) and aspects related to judgements and estimates,

to correctly record, evaluate, present and breakdown financial information.

The audit committee is responsible for reporting to the board on the financial information that the group must regularly publish, ensuring that it is prepared in accordance with the same principles and practices as the annual accounts and is as equally reliable as the financial statements for the board to adopt the corresponding resolutions.

The most significant aspects when closing and reviewing relevant judgements, estimates, measurements and projections are:

- Impairment losses on certain assets.
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and other obligations.
- The useful life of tangible and intangible fixed assets.
- The valuation of consolidation goodwill.
- The calculation of provisions and of contingent liabilities.
- The fair value of certain unquoted assets and liabilities.
- The recoverability of the tax assets.
- The fair value of acquired identifiable assets and the liabilities assumed in business combinations.

The group CAO presents the financial information to the audit committee for validation at least quarterly, giving explanations of the main criteria used to make estimates, assessments and significant judgements.

The information provided to directors prior to meetings, including relevant judgements, estimates and projections is specifically prepared for these sessions.

The group also has a corporate accounting and financial management information committee, which is responsible for governing and supervising accounting, financial management and control, and ensuring that these matters are disclosed in accordance with law and such disclosure is fair, accurate and not misleading.

To verify that the IRCS operates correctly, the group conducts an annual pyramid assessment and certification, identifying and analysing the criticality of risks and the effectiveness of controls. This begins with an assessment of control activities by those responsible for them, which is then challenged and ratified through the organization's different hierarchy, so that, the CEO, the CFO and the CAO can certify the effectiveness of the IRCS.

The Non-Financial Risk Control area prepares a report that includes the main conclusions from the units' certifications reflecting the main deficiencies identified during the year and indicating whether they have been appropriately resolved or what plans are in place for satisfactory resolution as well as supporting evidence for the signatures of the CEO, CFO and CAO.

The Non-Financial Risk Control area presents the conclusions of these assessments to the audit committee alongside with the Financial Accounting and Control division and, where applicable, the representatives of the divisions and/or companies in question, prior to submission to the risk supervision, regulation and compliance committee.

The Group also has a forum to oversee internal control. It is chaired by the heads of the Risk and Financial Accounting & Control divisions and continuously monitors the Group's control environment and ICFR strategy and operations.

### Internal control policies and procedures for IT systems

The Technology and Operations division draws up the group's corporate policies on IT systems involved directly or indirectly with the financial statements. These systems implement special internal controls to prepare and post financial information correctly.

The internal control policies on the following aspects are of particular importance:

- Updated and divulged internal policies and procedures for system security and access to applications and computer systems according to functions and ratings of each unit/role.
- The group's methodology, under which new applications are developed and existing applications are maintained or adapted through a circuit that formulates, develops and tests them so as to treat financial information reliably.
- Once applications are developed according to regularly defined requirements (detailed documentation of processes to be implemented), they are run through comprehensive tests by a specialist development laboratory.
- Before they are rolled out, a complete software testing cycle is run in a pre-production computerized environment that simulates real situations. Testing includes technical and functional tests, performance tests, user-acceptance tests and pilot and prototype tests, which are defined by the entities.
- The group's continuity plans for key functions in disasters or other events that could suspend or disrupt operations, as well as highly automated back-up systems that support critical systems and require little manual intervention owing to redundant systems, high availability systems and redundant communication lines.

### Internal control policies and procedures for outsourced activities and valuation services from independent experts

The group's action framework and specific policies and procedures fittingly cover outsourcing risks. All group companies must adhere to this framework, which meets the EBA's requirements for outsourcing and risk management with third parties. It consists of:

- Tasks to initiate, record, process, settle, report and accounting for transactions and asset valuations.
- IT support in terms of software development, infrastructure maintenance, incident management, security and processing.
- Other material support services not directly related to financial reporting, such as supplier management, property management, HR management, etc.

Key control procedures include:

- Documenting relations between group companies with comprehensive service agreements.
- Documentation and validation by the group's service providers of processes and controls for the services they perform.

- The external suppliers must undergo an approval process to ensure that the relevant risks associated with the services they provide remain within acceptable levels, in accordance with the group's risk appetite.

The group reviews estimates internally according to its control model guidelines. It will hire the services of a third party to help with specific matters upon confirming their expertise and independence and approving their methods and rationale of its assumptions through relevant procedures.

Furthermore, the group's controls make sure information for external suppliers of services that could affect the financial statements is accurately and comprehensively detailed in service level agreements.

## 8.4 Information and communication

### Responsible for accounting policies

The Financial Accounting and Control division has an area called 'accounting policies', whose manager reports directly to the head of the division, and has the following exclusive responsibilities:

- To define the accounting treatment of the transactions that constitute Banco Santander's activity, in accordance with their economic nature and the regulations governing the financial system.
- To define and keep up-to-date the group's accounting policies and resolve any doubts or conflicts arising from their interpretation.
- Improve and standardize the group's accounting practices.

The corporate accounting and financial reporting and management framework sets out the principles and guidelines to prepare accounting, financial and management information that must apply to all Grupo Santander entities as a key element of their good governance. The group's structure makes it necessary to establish these principles and standard guidelines for their application, and for each of the group entities to have effective consolidation methods and employ homogeneous accounting policies. The framework's principles described in this framework are adequately reflected in the group's accounting policies.

Accounting policies should be understood as a complement to local financial and accounting rules. Their overarching aims are (i) that statements and financial information made available to the management bodies, supervisors or other third parties, provide accurate and reliable information for decision-making in relation to the group, and (ii) timely compliance by all group entities with their legal obligations.

Accounting policies are revised at least once a year and when relevant regulations are amended.

Every month, the Accounting Policies area publishes an internal bulletin on new accounting regulation and their most significant interpretations.

The Group entities, through their operations or accounting heads, maintain open communication with the financial regulation and accounting processes area, as well as with the other areas of the Financial Accounting and Control division.

## 8.5 Monitoring

### 2021 ICFR monitoring activities and results

The board of directors approved an Internal Audit framework for Grupo Santander that defines the function and how it should conduct its work.

Internal Audit is a permanent, independent function that guarantees the quality and effectiveness of internal control, risk management (current or emerging) and governance processes and systems, thus contributing to the protection of the organization's value, solvency and reputation as well as the board of directors and senior managers. The internal audit function reports to the audit committee and periodically, at least twice a year, to the board of directors. As an independent unit, it also has direct access to the board when required.

Internal audit assesses:

- The efficiency and effectiveness of the processes and systems referred to above.
- The compliance with applicable regulations and supervisory requirements.
- The reliability and integrity of financial and operational information.
- Asset integrity.
- Internal audit is the third line of defence, independent of the other two. Its scope of action includes:
  - All entities over which the group exercises effective control.
  - Separated assets (for example, mutual funds) managed by the entities mentioned in the previous section.
  - Any entity (or separated assets) not included in the above points, with which the group has entered into an agreement to provide Internal Audit functions.

This subjective scope includes, in any case, the activities, businesses and processes carried out (either directly or through outsourcing), the organization and, where applicable, commercial networks. Internal Audit may also conduct audits for other investees that are not included in the preceding points when the group has reserved this right as a shareholder, as well as on outsourced activities in accordance with the established agreements.

The audit committee supervises the group's internal audit function. See section [4.5 'Audit committee activities in 2021'](#).

As at 2021 year-end, Internal Audit had 1,212 employees, all exclusively dedicated to this service. Of these, 269 were based at Corporate Centre and 943 in the local units located in the main geographies where the group is present.

Every year, Internal Audit prepares an audit plan based on a risk self-assessment and is solely responsible for executing the plan. Reviews may lead to audit recommendations, which are prioritized in accordance with their relative importance, and are continuously monitored until fully implemented.

At its meeting of 19 February 2021, the audit committee reviewed the 2021 audit plan, which was reported to and approved by the board at its meeting of 22 February 2021.

Internal audit reports, as regards the review of the ICFR, mainly aimed to:

- Verify compliance with the provisions contained in sections 302, 404, 406, 407 and 806 of the SOX Act.
- Check corporate governance with regard to information relating to the internal control system for financial reporting, including the risk culture.
- Review the functions performed by the internal control departments and by other departments, areas or divisions involved in ensuring compliance with the SOX Act.
- Make sure the supporting documentation relating to the SOX Act is up to date.
- Confirm the effectiveness of a sample of controls based on an internal audit risk assessment methodology.
- Assess the accuracy of the unit's certifications, especially their consistency of the certifications with respect to the observations and recommendations made by Internal Audit, the external auditors of the annual accounts or supervisors.
- Ratify the implementation of recommendations made in the audit plan.

In 2021, the audit committee and the board of directors were informed of the Internal Audit unit's work, in accordance with its annual plan, and of other matters related to this function. See section [4.5 'Audit committee activities in 2021'](#).

### Detection and management of deficiencies

The audit committee oversees to supervise the financial reporting process and the internal control systems. It is responsible for any control deficiencies that could affect the reliability and accuracy of the annual accounts. It may refer to the areas of the Group involved in the process to obtain the necessary information and clarifications. The committee also assesses the potential impact of any errors detected in the financial information.

The audit committee is responsible for discussing any significant weaknesses detected in the audit with the external auditor.

As part of its oversight, the audit committee assesses the results of the work of the internal audit unit, and may take the necessary measures to correct any deficiencies identified in the financial information.

In 2021, the audit committee was informed of the IRCS evaluation and certification for the 2019 financial year. See section [4.5 'Audit committee activities in 2021'](#).

## 8.6 External auditor report

The external auditor issued an independent reasonable assurance report on the design and effectiveness of the ICFR and the description on the ICFR that is provided in this section 8 of the annual corporate governance report.

This report is included in the following pages.





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

## Independent reasonable assurance report on the design and effectiveness of Internal Control over Financial Reporting (ICFR)

To the Board of Directors of Banco Santander, S.A.:

We have carried out a reasonable assurance engagement of the design and effectiveness of the Internal Control over Financial Reporting (hereinafter, ICFR) and the description that is included in the attached Report that forms part of the corresponding section of the Annual Corporate Governance Report of the Directors' Report accompanying the consolidated financial statements of Banco Santander, S.A., (hereinafter, the Parent Company) and its subsidiaries (hereinafter, the Group or Santander Group) as at December 31, 2021. This system is based on the criteria and policies defined by the Group in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control-Integrated Framework" report, in its most recent framework published in 2013.

An Internal Control over Financial Reporting is a process designed to provide reasonable assurance over the reliability of financial information in accordance with the applicable financial reporting framework and includes those policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it and (iii) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sales of the Group assets that could have material effect on the financial information.

### Inherent limitations

In this regard, it should be borne in mind that, given the inherent limitations of any system of Internal Control over Financial Reporting, regardless of the quality of the design and operation of the system, it can only allow reasonable, but not absolute security, in relation to the objectives it pursues, which may lead to errors, irregularities or fraud that may not be detected. On the other hand, the projection to future periods of the evaluation of internal control is subject to risks such as such internal control being inadequate as a result of future changes in the applicable conditions, or that in the future the level of compliance of the established policies or procedures may be reduced.

### Director's responsibility

The Parent Company's Directors are responsible for taking the necessary measures to reasonably guarantee the implementation, maintenance and supervision of an adequate Internal Control over Financial Reporting, as well as the evaluation of its effectiveness, the development of improvements of ICFR and the preparation and establishment of the content of the attached information relating to the ICFR.

### Our Responsibility

Our responsibility is to issue a reasonable assurance report on the design and effectiveness of the Internal Control over Financial Reporting of the Group, based on the work we have performed and on the evidence we have obtained. We have performed our reasonable assurance engagement in accordance with "International Standard on Assurance Engagements 3000 (ISAE 3000)" (Revised), "Assurance Engagements other than Auditing or Reviews of Historical Financial Reporting", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290





A reasonable assurance report includes the understanding of the Internal Control over Financial Reporting, assessing the risk of material weaknesses in the internal control, that the controls are not properly designed or they do not operate effectively, the execution of tests and evaluations on the design and effective implementation of this ICFR, based on our professional judgment, and the performance of such other procedures as may be deemed necessary.

We believe that the evidence we have obtained provides a sufficient and adequate basis for our opinion.

#### Our Independence and Quality Control

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

Our firm applies the "International Standard on Quality Control 1 (ISQC 1)" and maintains an exhaustive qualitative control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory provisions.

#### Opinion

In our opinion, Santander Group, maintained as at December 31, 2021, in all material respects, a system of Internal Control relating to Financial Reporting included in the consolidated financial statements of the Group as at December 31, 2021 effective, which is based on the criteria and the policies defined by the Group's management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control - Integrated Framework" report, in its most recent framework published in 2013.

In addition, the attached description of the ICFR Report as at December 31, 2021, has been prepared, in all material respects, in accordance with the requirements established by article 540 of the Consolidated Text of the Capital Companies Act and with the Circular 5/2013 of June 12 of the CNMV, and subsequent amendments, the most recent being Circular 3/2021, of September 28, of the CNMV for the purposes of describing the ICFR in the Annual Reports of Corporate Governance.

This work does not constitute an audit of accounts nor is it subject to the regulations governing the activity of the audit in force in Spain, so we do not express any audit opinion in the terms provided in the aforementioned regulations. However, we have audited under separate engagement, in accordance with the regulations governing the audit activity in force in Spain, the consolidated financial statements of Santander Group prepared by the Parent Company's Directors in accordance with the International Financial Reporting Standards adopted by the European Union and other provisions of the financial reporting standards applicable to the Group, and our report dated February 25, 2022 expresses a favorable opinion on those consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L.

Julián González Gómez

February 25, 2022

## 9. Other corporate governance information

Since 12 June 2018 CNMV allows the annual corporate governance and directors' remuneration reports Spanish listed companies must submit to be drafted in a free format, which is what we selected for our corporate governance and directors' remuneration reports since 2018.

The CNMV requires any issuer opting for a free format to provide certain information in a format it dictates so that it can be aggregated for statistical purposes. This information is included (i) for corporate governance matters, under section [9.2 'Statistical information on corporate governance required by the CNMV'](#), which also covers the section 'Degree of compliance with corporate governance recommendations', and (ii) for remuneration matters, under section [9.5 'Statistical information on remuneration required by the CNMV'](#).

Some shareholders or other stakeholders may be used to the formats of the corporate governance and directors' remuneration reports set the by the CNMV. Therefore, each section under this

format in sections [9.1 'Reconciliation with the CNMV's corporate governance report model'](#) and [9.4 'Reconciliation to the CNMV's remuneration report model'](#) include a cross reference indicating where this information may be found in the 2021 annual corporate governance report (drafted in a free format) and elsewhere in this annual report.

We have normally completed the 'comply or explain' section for all recommendations in the Spanish Corporate Governance Code to clearly show the ones we complied with, and explain the ones we partially complied or failed to comply with. In section [9.3 'Table on compliance with or explanations of recommendations in corporate governance'](#), we have included a chart with cross-references showing where information supporting each response can be found in this corporate governance chapter and elsewhere in this annual report.

### 9.1 Reconciliation with the CNMV's corporate governance report model

Section in the CNMV model	Included in statistical report	Comments
<b>A. OWNERSHIP STRUCTURE</b>		
A.1	Yes	See sections <a href="#">2.1 'Share capital'</a> , <a href="#">3.2 'Shareholder rights'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
A.2	Yes	See section <a href="#">2.3 'Significant shareholders'</a> where we explain there are no significant shareholders on their own account.
A.3	Yes	See 'Tenure and equity ownership' in section <a href="#">4.2</a> and sections <a href="#">6. 'Remuneration'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
A.4	No	See section <a href="#">2.3 'Significant shareholders'</a> where we explain there are no significant shareholders on their own account so this section does not apply.
A.5	No	See section <a href="#">2.3 'Significant shareholders'</a> where we explain there are no significant shareholders on their own account so this section does not apply.
A.6	No	See section <a href="#">2.3 'Significant shareholders'</a> where we explain there are no significant shareholders on their own account so this section does not apply.
A.7	Yes	See sections <a href="#">2.4 'Shareholders' agreements'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
A.8	Yes	Not applicable.
A.9	Yes	See section <a href="#">2.5 'Treasury shares'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
A.10	No	See section <a href="#">2.5 'Treasury shares'</a> .
A.11	Yes	See section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
A.12	No	See section <a href="#">3.2 'Shareholder rights'</a> .
A.13	No	See section <a href="#">3.2 'Shareholder rights'</a> .
A.14	Yes	See section <a href="#">2.6 'Stock market information'</a> .

Section in the CNMV model	Included in statistical report	Comments
<b>B. GENERAL SHAREHOLDERS' MEETING</b>		
B.1	No	See 'Quorum and majorities for passing resolutions at general meeting' in section <a href="#">3.2</a> .
B.2	No	See 'Quorum and majorities for passing resolutions at general meeting' in section <a href="#">3.2</a> .
B.3	No	See 'Rules for amending our Bylaws' in section <a href="#">3.2</a> .
B.4	Yes	See 'Quorum and attendance' in section <a href="#">3.4</a> , in relation to financial year 2021, and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> , in relation to the remaining financial years.
B.5	Yes	See 'Voting results and resolutions' in section <a href="#">3.4</a> .
B.6	Yes	See 'Shareholder participation at general meetings' in section <a href="#">3.2</a> and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
B.7	No	See 'Quorum and majorities for passing resolutions at general meeting' in section <a href="#">3.2</a> .
B.8	No	See 'Corporate website' in section <a href="#">3.1</a> .
<b>C. MANAGEMENT STRUCTURE</b>		
C.1 Board of directors		
C.1.1	Yes	See 'Size' in section <a href="#">4.2</a> .
C.1.2	Yes	See 'Tenure and equity ownership' in section <a href="#">4.2</a> , and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.3	Yes	See sections <a href="#">2.4 'Shareholders' agreements'</a> , <a href="#">4.1 'Our directors'</a> , 'Composition by type of director' in section <a href="#">4.2</a> , 'Duties and activities in 2021' in section <a href="#">4.6</a> and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.4	Yes	See 'Diversity' and 'Board skills and diversity matrix' in section <a href="#">4.2</a> , in relation to financial year 2021, and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> , in relation to the remaining financial years.
C.1.5	No	See 'Diversity' in section <a href="#">4.2</a> and 'Duties and activities in 2021' in section <a href="#">4.6</a> .
C.1.6	No	See 'Diversity' in section <a href="#">4.2</a> , 'Duties and activities in 2021' in section <a href="#">4.6</a> and, regarding top executive positions, see ' <a href="#">Responsible banking</a> ' chapter.
C.1.7	No	See 'Diversity' in section <a href="#">4.2</a> and 'Duties and activities in 2021' in section <a href="#">4.6</a> .
C.1.8	No	Not applicable, since there are no proprietary directors. See 'Composition by type of director' in section <a href="#">4.2</a> .
C.1.9	No	See 'Group executive chair and chief executive officer' in section <a href="#">4.3</a> and 'Functions' in section <a href="#">4.4</a> .
C.1.10	No	See section <a href="#">4.1 'Our directors'</a> .
C.1.11	Yes	See sections <a href="#">4.1 'Our directors'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.12	Yes	See 'Board and committees attendance' in section <a href="#">4.3</a> .
C.1.13	Yes	See sections <a href="#">6 'Remuneration'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> . Additionally, see note <a href="#">5 c)</a> to our 'consolidated financial statements'.
C.1.14	Yes	See sections <a href="#">5 'Management team'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.15	Yes	See 'Rules and regulations of the board' in section <a href="#">4.3</a> .
C.1.16	No	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> .
C.1.17	No	See 'Board assessment in 2021' in section <a href="#">4.3</a> , 'Annual assessment of the committee and its achievement of 2021 objectives' in section <a href="#">4.6</a> and 'Board assessment and actions to continuously improve its functioning' in section <a href="#">1.2</a> .
C.1.18	No	See 'Board assessment in 2021' in section <a href="#">4.3</a> .
C.1.19	No	See 'Director election, renewal and succession' in section <a href="#">4.2</a> .
C.1.20	No	See 'Board meetings' in section <a href="#">4.3</a> .
C.1.21	Yes	Not applicable since there are no specific requirements, other than those applying to directors generally, to be appointed chair.
C.1.22	No	See 'Diversity' in section <a href="#">4.2</a> .
C.1.23	Yes	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.24	No	See 'Board meetings' in section <a href="#">4.3</a> .
C.1.25	Yes	See 'Lead independent director' and 'Board and committees attendance' in section <a href="#">4.3</a> , 'Duties and activities in 2021' in sections <a href="#">4.4</a> , <a href="#">4.5</a> , <a href="#">4.6</a> , <a href="#">4.7</a> , <a href="#">4.8</a> , <a href="#">4.9</a> and <a href="#">4.10</a> and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.26	Yes	See 'Board and committees attendance' in section <a href="#">4.3</a> , and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.27	Yes	See section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.28	No	See 'Duties and activities in 2021' in section <a href="#">4.5</a> .
C.1.29	Yes	See section <a href="#">4.1 'Our directors'</a> and section 'Secretary of the board' in section <a href="#">4.3</a> .

Section in the CNMV model	Included in statistical report	Comments
C.1.30	No	See section <a href="#">3.1 'Shareholder communication and engagement'</a> and 'Duties and activities in 2021' in section <a href="#">4.5</a>
C.1.31	Yes	See 'External auditor' in section <a href="#">4.5</a> and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.32	Yes	See 'Duties and activities in 2021' in section <a href="#">4.5</a> and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.33	Yes	Not applicable.
C.1.34	Yes	See section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.1.35	Yes	See 'Board meetings' and 'Committee meetings' in section <a href="#">4.3</a> .
C.1.36	No	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> .
C.1.37	No	Not applicable. See 'Duties and activities in 2021' in section <a href="#">4.6</a> .
C.1.38	No	Not applicable.
C.1.39	Yes	See sections <a href="#">6.4 'Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote'</a> , <a href="#">6.7 'Prudentially significant disclosure document'</a> and <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.2 Board committees		
C.2.1	Yes	See 'Committee structure' and 'Committee meetings' in section <a href="#">4.3</a> , 'Duties and activities in 2021' in sections <a href="#">4.4</a> , <a href="#">4.5</a> , <a href="#">4.6</a> , <a href="#">4.7</a> , <a href="#">4.8</a> , <a href="#">4.9</a> and <a href="#">4.10</a> and section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.2.2	Yes	See section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
C.2.3	No	See 'Rules and regulations of the board' and 'Committee structure', 'Committee meetings' in section <a href="#">4.3</a> and 'Duties and activities in 2020' in sections <a href="#">4.4</a> , <a href="#">4.5</a> , <a href="#">4.6</a> , <a href="#">4.7</a> , <a href="#">4.8</a> , <a href="#">4.9</a> and <a href="#">4.10</a> .
<b>D. RELATED PARTY AND INTRAGROUP TRANSACTIONS</b>		
D.1	No	See 'Related-party transactions' in section <a href="#">4.12</a> .
D.2	Yes	Not applicable. See 'Related-party transactions' in section <a href="#">4.12</a> .
D.3	Yes	Not applicable. See 'Related-party transactions' in section <a href="#">4.12</a> .
D.4	Yes	See section <a href="#">9.2 'Statistical information on corporate governance as required by the CNMV'</a> .
D.5	Yes	Not applicable. See 'Related-party transactions' in section <a href="#">4.12</a> .
D.6	No	See 'Conflicts of interests' in section <a href="#">4.12</a>
D.7	Yes	Not applicable. See section <a href="#">2.3 'Significant shareholders'</a> and 'Conflicts of interests' in section <a href="#">4.12</a> .
<b>E. CONTROL AND RISK MANAGEMENT SYSTEMS</b>		
E.1	No	See chapter <a href="#">'Risk management and compliance'</a> , in particular section <a href="#">2 'Risk management and control model'</a> and sections <a href="#">'A strong and inclusive culture: The Santander Way'</a> and <a href="#">'Principles of action in tax matters'</a> in the 'Responsible banking' chapter.
E.2	No	See note <a href="#">53</a> to our consolidated financial statements, section <a href="#">2.3 'Risk governance'</a> in the 'Risk management and compliance' chapter, and sections <a href="#">'A strong and inclusive culture: The Santander Way'</a> and <a href="#">'Principles of action in tax matters'</a> in the 'Responsible banking' chapter.
E.3	No	See sections <a href="#">2.2 'Risk factors'</a> , <a href="#">3. 'Credit risk'</a> , <a href="#">4. 'Market, structural and liquidity risk'</a> , <a href="#">5. 'Credit risk'</a> , <a href="#">6. 'Operational risk'</a> , <a href="#">7. 'Compliance and conduct risk'</a> , <a href="#">8 'Model risk'</a> and <a href="#">9. 'Strategic risk'</a> in the 'Risk management and compliance' chapter. See also the <a href="#">'Responsible banking'</a> chapter and, for our capital needs, see section <a href="#">3.5 'Capital management and adequacy. Solvency ratios'</a> of the 'Economic and financial review' chapter.
E.4	No	See section <a href="#">2.4. 'Management processes and tools'</a> in the Risk management and compliance chapter and sections <a href="#">'A strong and inclusive culture: The Santander Way'</a> and <a href="#">'Principles of action in tax matters'</a> in the 'Responsible banking' chapter.
E.5	No	See <a href="#">3. 'Credit risk'</a> , <a href="#">4. 'Market, structural and liquidity risk'</a> , <a href="#">5. 'Credit risk'</a> , <a href="#">6. 'Operational risk'</a> , <a href="#">7 'Compliance and conduct risk'</a> , <a href="#">8 'Model risk'</a> , <a href="#">9 'Strategic risk'</a> and in <a href="#">10. 'Climate and environmental risk'</a> the 'Risk management and compliance' chapter. Additionally, see note <a href="#">25e</a> to our consolidated financial statements.
E.6	No	See sections <a href="#">2. 'Risk management and control model'</a> , <a href="#">3. 'Credit risk'</a> , <a href="#">4. 'Market, structural and liquidity risk'</a> , <a href="#">5. 'Capital risk'</a> , <a href="#">6. 'Operational risk'</a> , <a href="#">7. 'Compliance and conduct risk'</a> , <a href="#">8. 'Model risk'</a> , <a href="#">9. 'Strategic risk'</a> and <a href="#">10. 'Climate and environmental risk'</a> in the 'Risk management and compliance' chapter.
<b>F. ICFRS</b>		
F.1	No	See section <a href="#">8.1 'Control environment'</a> .
F.2	No	See section <a href="#">8.2 'Risk assessment in financial reporting'</a> .
F.3	No	See section <a href="#">8.3 'Control activities'</a> .
F.4	No	See section <a href="#">8.4 'Information and communication'</a> .
F.5	No	See section <a href="#">8.5 'Monitoring'</a> .
F.6	No	Not applicable.
F.7	No	See section <a href="#">8.6 'External auditor report'</a> .

Section in the CNMV model	Included in statistical report	Comments
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#### G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

G	Yes	See 'Degree of compliance with the corporate governance recommendations' in section <a href="#">9.2</a> and section <a href="#">9.3</a> 'Table on compliance with or explanations of recommendations on corporate governance'.
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#### H. OTHER INFORMATION OF INTEREST

H	No	Banco Santander also complies with the Polish Code of Best Practices, updated in 2021, except in areas where regulation is different in Spain and Poland. In addition, see sections ' <a href="#">Conduct and ethical behaviour</a> ' and ' <a href="#">Governance</a> ', in particular, 'Joint initiatives to promote our agenda', in the Responsible banking chapter.
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## 9.2 Statistical information on corporate governance required by the CNMV

Unless otherwise indicated all data as of 31 December 2020.

### A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Indicate whether company bylaws contain the provision of double loyalty voting:

No ☒

Yes ☐

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
03/12/2020	8,670,320,651	17,340,641,302	17,340,641,302

Indicate whether different types of shares exist with different associated rights:

No ☒

Yes ☐

A.2 List the direct and indirect holders of significant ownership interests at year-end, including directors with a significant shareholding:

Name or corporate name of shareholder	% of voting rights attributed to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
BlackRock Inc.	0	5.08%	0	3.46%	5.43%

Details of the indirect shares:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	Total % of voting rights
BlackRock Inc.	Subsidiaries of BlackRock Inc.	5.08%	3.46%	5.43%

A.3 Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

Name or corporate name of director	% of voting rights attributed to shares		% of voting rights through financial instruments		Total % of voting rights	% of voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Ana Botín-Sanz de Sautuola y O'Shea	0.01	0.17	0.00	0.00	0.18	0.00	0.00
José Antonio Álvarez Álvarez	0.01	0.00	0.00	0.00	0.01	0.00	0.00
Bruce Carnegie-Brown	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Homaira Akbari	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Javier Botín-Sanz de Sautuola y O'Shea	0.03	0.11	0.00	0.00	0.14	0.00	0.00
Álvaro Cardoso de Souza	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R. Martín Chávez Márquez	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sol Daurella Comadrán	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Henrique de Castro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gina Díez Barroso	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Luis Isasi Fernández de Bobadilla	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ramiro Mato García-Ansorena	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sergio Rial	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belén Romana García	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pamela Walkden	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% total voting rights held by the board of directors					0.34		
% total voting rights represented on the board of directors					0.71		

## Details of the indirect holding:

Name or corporate name of director	Name or corporate name of direct owner	% of voting rights attributed to shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that may be transferred through financial instruments
—	—	—	—	—	—

A.7 Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Companies Act (LSC). Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes ☒ No ☐

Parties to the shareholders' agreement	% of share capital affected	Brief description of agreement	Expiry date, if applicable
Javier Botín-Sanz de Sautuola y O'Shea (directly and indirectly through Agropecuaria El Castaño, S.L.U.) Emilio Botín-Sanz de Sautuola y O'Shea, Puente San Miguel, S.L.U. Ana Botín-Sanz de Sautuola y O'Shea, CRONJE, S.L.U. Nueva Azil, S.L. Carmen Botín-Sanz de Sautuola y O'Shea Paloma Botín-Sanz de Sautuola y O'Shea Bright Sky 2012, S.L.	0.58%	Transfer restrictions and syndication of voting rights as described under section 2.4 'Shareholders' agreements' of the 'Corporate governance' chapter in the annual report. The communications to CNMV relating to this shareholders' agreement can be found in material facts with entry numbers 64179, 171949, 177432, 194069, 211556, 218392, 223703, 226968 and 285567 filed in CNMV on 17 February 2006, 3 August 2012, 19 November 2012, 17 October, 2013, 3 October 2014, 6 February 2015, 29 May 2015, 29 July 2015 and 31 December 2019, respectively.	01/01/2056

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes ☒ No ☐

Participants in the concerted action	% of share capital affected	Brief description of concerted action	Expiry date, if applicable
Javier Botín-Sanz de Sautuola y O'Shea (directly and indirectly through Agropecuaria El Castaño, S.L.U.) Emilio Botín-Sanz de Sautuola y O'Shea, Puente San Miguel, S.L.U. Ana Botín-Sanz de Sautuola y O'Shea, CRONJE, S.L.U. Nueva Azil, S.L. Carmen Botín-Sanz de Sautuola y O'Shea Paloma Botín-Sanz de Sautuola y O'Shea Bright Sky 2012, S.L.	0.58%	Transfer restrictions and syndication of voting rights as described under section 2.4 'Shareholders' agreements' of the 'Corporate governance' chapter in the annual report. The communications to CNMV relating to this shareholders' agreement can be found in material facts with entry numbers 64179, 171949, 177432, 194069, 211556, 218392, 223703, 226968 and 285567 filed in CNMV on 17 February 2006, 3 August 2012, 19 November 2012, 17 October, 2013, 3 October 2014, 6 February 2015, 29 May 2015, 29 July 2015 and 31 December 2019, respectively.	01/01/2056

A.8 Indicate whether any individual or entity currently exercises control or could exercise control over the company in accordance with article 5 of the Spanish Securities Market Act. If so, identify them:

Yes ☐ No ☒

A.9 Complete the following tables on the company's treasury shares:

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
259,930,273	17,661,667	1.601%

(\*) Through:

Name or corporate name of the direct shareholder	Number of shares held directly
Pereda Gestión, S.A.	13,680,000
Banco Santander Río, S.A.	975,238
Banco Santander México, S.A.	3,006,429
<b>Total:</b>	<b>17,661,667</b>

A.11 Estimated free float:

	%
Estimated free float	91.92 %

A.14 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☒ No ☐



## B. GENERAL SHAREHOLDERS' MEETING

B.4 Indicate the attendance figures for the general shareholders' meetings held during the fiscal year to which this report relates and in the two preceding fiscal years:

Date of General Meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
12/04/2019	0.77%	65.31%	0.96%	1.47%	68.51%
of which free float:	0.07%	64.87%	0.96%	1.47%	67.37%

Date of General Meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
23/07/2019	0.66%	41.82%	15.54%	1.21%	59.23%
of which free float:	0.02%	41.32%	15.54%	1.21%	58.09%

Date of General Meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
03/04/2020	0.09%	62.60%	1.71%	0.60%	65.00%
of which free float:	0.01%	61.59%	1.71%	0.60%	63.91%

Date of General Meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
27/10/2020	0.17%	43.29%	16.30%	0.59%	60.35%
of which free float:	0.11%	42.27%	16.30%	0.59%	59.27%

Date of General Meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
26/03/2021	0.06%	65.02%	2.04%	0.55%	67.67%
of which free float:	0.01%	64.03%	2.04%	0.55%	66.63%

B.5 Indicate whether in the general shareholders' meetings held during the fiscal year to which this report relate there has been any matter submitted to them which, for any reason, has not been approved by the shareholders:

Yes ☐ No ☒

B.6 Indicate whether the Bylaws require a minimum holding of shares to attend to or to vote remotely in the general shareholders' meeting:

Yes ☐ No ☐

## C. MANAGEMENT STRUCTURE

### C.1 Board of directors

#### C.1.1 Maximum and minimum number of directors provided for in the Bylaws:

Maximum number of directors	17
Minimum number of directors	12
Number of directors fixed by GSM	15

#### C.1.2 Complete the following table with the directors' details:

Name or corporate name of director	Representative	Category of director	Position in the board	Date of first appointment	Date of last appointment	Election procedure
Ana Botín-Sanz de Sautuola y O'Shea	N/A	Executive	Chair	04/02/1989	03/04/2020	Vote in general shareholders' meeting
José Antonio Álvarez Álvarez	N/A	Executive	Chief executive officer	25/11/2014	12/04/2019	Vote in general shareholders' meeting
Bruce Carnegie-Brown	N/A	Independent	Lead independent director	25/11/2014	26/03/2021	Vote in general shareholders' meeting
Homaira Akbari	N/A	Independent	Director	27/09/2016	26/03/2021	Vote in general shareholders' meeting
Javier Botín-Sanz de Sautuola y O'Shea	N/A	Other external	Director	25/07/2004	26/03/2021	Vote in general shareholders' meeting
Álvaro Cardoso de Souza	N/A	Independent	Director	23/03/2018	26/03/2021	Vote in general shareholders' meeting
R. Martín Chávez Márquez	N/A	Independent	Director	27/10/2020	27/10/2020	Vote in general shareholders' meeting
Sol Daurella Comadrán	N/A	Independent	Director	25/11/2014	03/04/2020	Vote in general shareholders' meeting
Henrique de Castro	N/A	Independent	Director	12/04/2019	12/04/2019	Vote in general shareholders' meeting
Gina Díez Barroso	N/A	Independent	Director	22/12/2020	22/12/2020	Vote in general shareholders' meeting
Luis Isasi Fernández de Bobadilla	N/A	Other external	Director	03/04/2020	03/04/2020	Vote in general shareholders' meeting
Ramiro Mato García-Ansorena	N/A	Independent	Director	28/11/2017	26/03/2021	Vote in general shareholders' meeting
Sergio Rial	N/A	Other external	Director	03/04/2020	03/04/2020	Vote in general shareholders' meeting
Belén Romana García	N/A	Independent	Director	22/12/2015	12/04/2019	Vote in general shareholders' meeting
Pamela Walkden	N/A	Independent	Director	29/10/2019	03/04/2020	Vote in general shareholders' meeting
Total number of directors	15					

Indicate any directors who have left during the fiscal year to which this report relates, regardless of the reason (whether for resignation or by agreement of the general meeting or any other):

Name or corporate name of director	Category of director at the time he/her left	Date of last appointment	Date of leave	Board committees he or she was a member of	Indicate whether he or she has left before the expiry of his or her term
N/A	N/A	N/A	N/A	N/A	N/A

#### C.1.3 Complete the following tables for the directors in each relevant category:

##### EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company	Profile
Ana Botín-Sanz de Sautuola y O'Shea	Executive chair	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
José Antonio Álvarez Álvarez	CEO	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Total number of executive directors	2	
% of the Board	13.33%	

**PROPRIETARY NON-EXECUTIVE DIRECTORS**

Name or corporate name of director	Name or corporate name of significant shareholder represented or having proposed his or her appointment	Profile
N/A	N/A	N/A
Total number of proprietary non-executive directors		0
% of the Board		0%

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

Non-Executive Directors		
Name or corporate name of director	Profile	
Bruce Carnegie-Brown	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Homaira Akbari	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Álvaro Cardoso de Souza	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
R. Martín Chávez Márquez	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Sol Daurella Comadrán	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Henrique de Castro	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Gina Díez Barroso	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Ramiro Mato García-Ansorena	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Belén Romana García	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Pamela Walkden	See section <a href="#">4.1 'Our directors'</a> in the 'Corporate governance' chapter in the annual report.	
Total number of independent directors		10
% of the Board		66.67%

Identify any independent director who receives from the company or its group any amount or perk other than his or her director remuneration or who maintain or have maintained during the fiscal year covered in this report a business relationship with the company or any group company, either in his or her own name or as a principal shareholder, director or senior manager of an entity which maintains or has maintained such a business relationship.

In such a case, a reasoned statement from the Board on why the relevant director(s) is able to carry on their duties as independent director(s) will be included.

Name or corporate name of director	Description of the relationship	Reasoned statement
Homaira Akbari	Business	<p>When conducting the annual verification of the independence of directors of this status, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers.</p> <p>The committee concluded that the business relationships maintained between Grupo Santander and the company in which Homaira Akbari was a director in 2021 were not significant because, among other reasons they did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE and Nasdaq.</p>
Sol Daurella	Financing	<p>When conducting the annual verification of the independence of directors of this status, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers.</p> <p>The committee concluded that the funding Grupo Santander granted to companies in which Sol Daurella was a principal shareholder or director in 2021 was not significant because, among other reasons: (i) it did not generate economic dependence on the companies involved in view of the substitutability of this funding by other sources, whether banks or others, (ii) it aligned with Grupo Santander's share in the corresponding market, and (iii) it did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE, Nasdaq and the Canadian Bank Act.</p>
Henrique de Castro	Business	<p>When conducting the annual verification of the independence of directors of this status, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers.</p> <p>The committee concluded that the business relationships maintained between Grupo Santander and the company in which Henrique de Castro was a director in 2021 were not significant because, among other reasons they did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE and Nasdaq.</p>
Gina Díez	Financing	<p>When conducting the annual verification of the independence of directors of this status, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers.</p> <p>The committee concluded that the funding granted by Grupo Santander to the companies in which Gina Díez was a principal shareholder and director in 2021 was not significant because, among other reasons: (i) it did not generate a situation of economic dependence on the company involved in view of the substitutability of this funding by other sources, whether banks or others, (ii) it aligned with Grupo Santander's share in the corresponding market, and (iii) it did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE, Nasdaq and the Canadian Bank Act.</p>
R. Martín Chávez	Business	<p>When conducting the annual verification of the independence of directors of this status, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers.</p> <p>The committee concluded that the business relationships maintained between Grupo Santander and the company in which R. Martín Chávez was a director in 2021 were not significant because, among other reasons they did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE and Nasdaq.</p>
Belén Romana	Business	<p>When conducting the annual verification of the independence of directors of this status, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers.</p> <p>The committee concluded that the business relationships maintained between Grupo Santander and the companies in which Belén Romana was a director in 2021 were not significant because, among other reasons they did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE and Nasdaq.</p>

## Other external directors

Identify all other non-executive directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
Javier Botín-Sanz de Sautuola y O'Shea	Given that Mr Botín has been director for over 12 years, pursuant to sub-section 4. i) of article 529 <i>duodecies</i> of the Spanish Companies Act.	Banco Santander, S.A.	See section <a href="#">4.1 'Our directors'</a> in the Corporate governance chapter in the annual report.
Luis Isasi Fernández de Bobadilla	Under prudent criteria given his remuneration as non-executive chair of Santander España's body as supervisor, unit without its own corporate identity separate to Banco Santander, pursuant to sub-sections 2 to 4 of article 529 <i>duodecies</i> of the Spanish Companies Act.	Banco Santander, S.A.	See section <a href="#">4.1 'Our directors'</a> in the Corporate governance chapter in the annual report.
Sergio Rial	Given that Mr Rial, as a former executive director of Banco Santander as CEO of Banco Santander (Brasil) S.A. and Regional head of South America until 31 December 2021, pursuant to sub-section 4 a) of article 529 <i>duodecies</i> of the Spanish Companies Act.	Banco Santander, S.A.	See section <a href="#">4.1 'Our directors'</a> in the Corporate governance chapter in the annual report.
Total number of other non-executive directors			3
% of the Board			20.00%

List any changes in the category of a director which have occurred during the period covered in this report.

Name or corporate name of director	Date of change	Previous category	Current category
Sergio Rial	31/12/2021	Executive	

C.1.4 Complete the following table on the number of female directors at the end of each the past four years and their category:

Number of female directors	% of total directors of each category							
	FY 2021	FY 2020	FY 2019	FY 2018	FY 2021	FY 2020	FY 2019	FY 2018
Executive	1	1	1	1	50.00 %	33.33 %	50.00 %	33.33 %
Proprietary	—	—	—	—	0.00 %	0.00 %	0.00 %	0.00 %
Independent	5	5	5	4	50.00 %	50.00 %	55.55 %	44.44 %
Other external	—	—	—	—	0.00 %	0.00 %	0.00 %	0.00 %
Total:	6	6	6	5	40.00 %	40.00 %	40.00 %	33.33 %

**C.1.11 List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:**

Identity of the director or representative	Company name of the listed or non-listed entity	Position	Remunerated YES/NO
Ana Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	Director	YES
Bruce Carnegie-Brown	Lloyd's of London	Chair	YES
	Cuvva Limited	Chair	YES
Homaira Akbari	Landstar System, Inc.	Director	YES
	AKnowledge Partners, LLC	Chief executive officer	YES
	Temenos AG	Director	YES
Sol Daurella Comadrán	Coca-Cola Europacific Partners plc.	Chair	YES
	Cobega, S.A.	Representative of director	NO
	Equatorial Coca Cola Bottling Company, S.L.	Director	YES
	Cobega Invest S.L.	Sole administrator	NO
	Olive Partners, S.A.	Representative of director	NO
	Indau, S.A.R.L.	Sole administrator	YES
Henrique de Castro	Fiserv Inc.	Director	YES
	Stakecorp Capital, s.a.r.l.	Director	NO
Gina Díez Barroso	Grupo Diarq, S.A. de C.V.	Chair-chief executive officer	NO
	Dalia Women, S.A.P.I. de C.V.	Director	NO
	Centro de Diseño y Comunicación, S.C.	Chair	NO
Ramiro Mato García-Ansorena	Ansorena, S.A.	Chair	NO
R. Martín Chávez Márquez	Sixth Street Partners Management Company, L.P.	Vice-president	YES
	Recursion Pharmaceuticals, Inc.	Chair	YES
Luis Isasi Fernández de Bobadilla	Compañía de Distribución Integral Logista Holdings, S.A.	Director	YES
	Agropecuaria Fuenfria, S.L.	Director	NO
	Santa Clara de C. Activos, S.L.	Director	NO
Sergio Rial	Delta Airlines Inc	Director	YES
	Ebury Partners Limited	Chair	YES
Belén Romana García	Aviva plc.	Director	YES
	Six Group AG	Director	YES
	Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Director	YES
Javier Botín-Sanz de Sautuola y O'Shea	JB Capital Markets, Sociedad de Valores, S.A.U.	Chair	YES
	Inversiones Zulú, S.L.	Chair-chief executive officer	NO
	Agropecuaria El Castaño, S.L.E	Joint and several administrator	NO
	Inversiones Peña Cabarga, S.L.	Sole administrator	NO

**Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.**

Identity of the director or representative	Other paid activities
Bruce Carnegie-Brown	Member of investment committee of Gresham House Plc
Belén Romana García	Member of the advisory board of Inetum
	Senior advisor of Artá Capital, S.G.E.I.C., S.A
Pamela Walkden	Member of the advisory board of JD Haspel Limited
Luis Isasi Fernández de Bobadilla	Senior Advisor of Morgan Stanley
R. Martín Chávez Márquez	Senior advisor of Cambrian Biopharma
	Senior advisor of Earli
	Senior advisor of Block.one
	Senior advisor of Ketch Kloud
	Senior advisor of Abacus.AI

**C.1.12 Indicate and, if applicable explain, if the company has established rules on the maximum number of directorships its directors may hold and, if so, where they are regulated:**

Yes ☒ No ☐

The maximum number of directorships is established, as provided for in article 30 of the Rules and regulations of the board, in article 26 of Spanish Law 10/2014 on the ordering, supervision and solvency of credit institutions. This rule is further developed by articles 29 and subsequent of Royal Decree 84/2015 and by Rules 30 and subsequent of Bank of Spain Circular 2/2016.

**C.1.13 Identify the following items of the total remuneration of the board of directors:**

Board remuneration accrued in the fiscal year (EUR thousand)	26,485
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (EUR thousand)	66,896
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (EUR thousand)	0
Pension rights accumulated by former directors (EUR thousand)	49,778

**C.1.14 Identify the members of the company's senior management who are non executive directors and indicate total remuneration they have accrued during the fiscal year:**

Name or corporate name	Position (s)
Alexandra Brandão	Head of Human Resources
Juan Manuel Cendoya Méndez de Vigo	Group head of Communications, Corporate Marketing and Research
José Francisco Doncel Razola	Group head of Accounting and Financial Control - Group Chief Accounting Officer
Keiran Paul Foad	Group Chief Risk Officer
José Antonio García Cantera	Group Chief Financial Officer
Juan Guitard Marín	Group Chief Audit Executive
José María Linares Perou	Global head of Corporate & Investment Banking
Mónica Lopez-Monís Gallego	Group head of Supervisory and Regulatory Relations
Javier Maldonado Trinchant	Group head of Costs
Dirk Marzluf	Group head of Technology and Operations
Víctor Matarranz Sanz de Madrid	Global head of Wealth Management
José Luis de Mora Gil-Gallardo	Group head of Strategy and Corporate Development and Head of Consumer Finance (Santander Consumer Finance)
Jaime Pérez Renovales	Group head of General Secretariat
Antonio Simões	Head regional of Europe and Country head of Santander Spain
Marjolein van Hellemond-Gerdingh	Group Chief Compliance Officer
Number of women in senior management	3
Percentage of total senior management	20.00 %
Total remuneration accrued by the senior management (EUR thousand)	53,880

**C.1.15 Indicate whether any changes have been made to the board Rules and regulations during the fiscal year:**

Yes ☒ No ☐

**C.1.21 Indicate whether there are any specific requirements, other than those applying to directors generally, to be appointed chair:**

Yes ☐ No ☒

**C.1.23 Indicate whether the bylaws or the board Rules and regulations set a limited term of office (or other requirements which are stricter than those provided for in the law) for independent directors different than the one provided for in the law.**

Yes ☐ No ☒

**C.1.25 Indicate the number of board meetings held during the fiscal year and how many times the board has met without the chair's attendance. Attendance will also include proxies appointed with specific instructions:**

Number of board meetings	15
Number of board meetings held without the chair's attendance	0

**Indicate the number of meetings held by the lead independent director with the rest of directors without the attendance or representation of any executive director.**

Number of meetings	8
--------------------	---



Indicate the number of meetings of the various board committees held during the fiscal year.

Number of meetings of the audit committee	14
Number of meetings of the responsible banking, sustainability and culture committee	6
Number of meetings of the innovation and technology committee	4
Number of meetings of the nomination committee	12
Number of meetings of the remuneration committee	12
Number of meetings of the risk supervision, regulation and compliance committee	16
Number of meetings of the executive committee	40

C.1.26 Indicate the number of board meetings held during the fiscal year and data about the attendance of the directors:

Number of meetings with at least 80% of directors being present	15
% of votes cast by members present over total votes in the fiscal year	98.66%
Number of board meetings with all directors being present (or represented having given specific instructions)	14
% of votes cast by members present at the meeting or represented with specific instructions over total votes in the fiscal year	99.11%

C.1.27 Indicate whether the company's consolidated and individual financial statements are certified before they are submitted to the board for their formulation.

Yes ☒ No ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their formulation by the board:

Name	Position
José Francisco Doncel Razola	Group head of Accounting and Financial Control

C.1.29 Is the secretary of the board also a director?

Yes ☐ No ☒

If the secretary of the board is not a director fill in the following table:

Name or corporate name of the secretary	Representative
Jaime Pérez Renovales	N/A

C.1.31 Indicate whether the company has changed its external audit firm during the fiscal year. If so, identify the incoming audit firm and the outgoing audit firm:

Yes ☐ No ☒

C.1.32 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and express this amount as a percentage they represent of all fees invoiced to the company and/or its group.

Yes ☒ No ☐

	Company	Group companies	Total
Amount of non-audit work (EUR thousand)	556	2,567	3,123
Amount of non-audit work as a % of amount of audit work	0.5%	2.5%	3.0%

C.1.33 Indicate whether the audit report on the previous year's financial statements contains a qualified opinion or reservations. Indicate the reasons given by the chair of the audit committee to the shareholders in the general shareholders meeting to explain the content and scope of those qualified opinion or reservations.

Yes ☐ No ☒

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual financial statements	Consolidated financial statements
Number of consecutive years	6	6

	Company	Group
Number of years audited by current audit firm/Number of years the company's or its Group financial statements have been audited (%)	15.38%	15.38%

**C.1.35 Indicate and if applicable explain whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:**

Yes ☒ No ☐

#### Procedures

Our Rules and regulations of the board stipulate that members of the board and committees are provided with the relevant documentation for each meeting sufficiently in advance of the meeting date.

**C.1.39 Identify, individually in the case of directors, and in the aggregate in all other cases, and provide detailed information on, agreements between the company and its directors, executives and employees that provide indemnification, guarantee or golden parachute clause in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of transaction.**

Number of beneficiaries	21
Type of beneficiary	Description of the agreement:
Employees	<p>The Bank has no commitments to provide severance pay to directors.</p> <p>A number of employees have a right to compensation equivalent to one to two years of their basic salary in the event of their contracts being terminated by the Bank in the first two years of their contract in the event of dismissal on grounds other than their own will, retirement, disability or serious dereliction of duties.</p> <p>In addition, for the purposes of legal compensation, in the event of redundancy a number of employees are entitled to recognition of length of service including services provided prior to being contracted by the Bank; this would entitle them to higher compensation than they would be due based on their actual length of service with the Bank itself.</p>

**Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group beyond the procedures provided for in applicable law. If applicable, specify the process applied, the situations in which they apply, and the bodies responsible for approving or communicating those agreements:**

	Board of directors	General Shareholders' Meeting
Body authorising clauses	√	
	YES	NO
Is the general shareholders' meeting informed of such clauses?	√	

## C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of executive, independent and other external directors.

### EXECUTIVE COMMITTEE

Name	Position	Type
Ana Botín-Sanz de Sautuola y O'Shea	Chair	Executive director
José Antonio Álvarez Álvarez	Member	Executive director
Bruce Carnegie-Brown	Member	Independent director
Luis Isasi Fernández de Bobadilla	Member	Other external director
Ramiro Mato García-Ansorena	Member	Independent director
Belén Romana García	Member	Independent director
% of executive directors		33.33%
% of proprietary directors		0.00%
% of independent directors		50.00%
% of other non-executive directors		16.67%

### AUDIT COMMITTEE

Name	Position	Type
Pamela Walkden	Chair	Independent director
Homaira Akbari	Member	Independent director
Henrique de Castro	Member	Independent director
Ramiro Mato García-Ansorena	Member	Independent director
Belén Romana García	Member	Independent director
% of executive directors		0%
% of proprietary directors		0%
% of independent directors		100%
% of other non-executive directors		0%

Identify those directors in the audit committee who have been appointed on the basis of their knowledge and experience in accounting, audit or both and indicate the date of appointment of the committee chair.

Name of directors with accounting or audit experience	Pamela Walkden Belén Romana García Homaira Akbari Ramiro Mato García-Ansorena Henrique de Castro
Date of appointment of the committee chair for that position	26 April 2020

### NOMINATION COMMITTEE

Name	Position	Type
Bruce Carnegie-Brown	Chair	Independent director
R. Martín Chávez Márquez	Member	Independent director
Sol Daurella Comadrán	Member	Independent director
Gina Díez Barroso	Member	Independent director
% of executive directors		0%
% of proprietary directors		0%
% of independent directors		100%
% of other executive directors		0%

## REMUNERATION COMMITTEE

Name	Position	Type
Bruce Carnegie-Brown	Chair	Independent director
R. Martín Chávez Márquez	Member	Independent director
Sol Daurella Comadrán	Member	Independent director
Henrique de Castro	Member	Independent director
Luis Isasi Fernández de Bobadilla	Member	Other external director
% of executive directors		0%
% of proprietary directors		0%
% of independent directors		80%
% of other external directors		20%

## RISK SUPERVISION, REGULATION AND COMPLIANCE COMMITTEE

Name	Position	Type
Belén Romana García	Chair	Independent director
R. Martín Chávez Márquez	Member	Independent director
Luis Isasi Fernández de Bobadilla	Member	Other external director
Ramiro Mato García-Ansorena	Member	Independent director
Pamela Walkden	Member	Independent director
% of executive directors		0%
% of proprietary directors		0%
% of independent directors		80%
% of other external directors		20%

## RESPONSIBLE BANKING, SUSTAINABILITY AND CULTURE COMMITTEE

Name	Position	Type
Ramiro Mato García-Ansorena	Chair	Independent director
Homaira Akbari	Member	Independent director
Álvaro Cardoso de Souza	Member	Independent director
Sol Daurella Comadrán	Member	Independent director
Belén Romana García	Member	Independent director
% of executive directors		0%
% of proprietary directors		0%
% of independent directors		100%
% of other external directors		0%

## INNOVATION AND TECHNOLOGY COMMITTEE

Name	Position	Type
R. Martín Chávez Márquez	Chair	Independent director
Ana Botín-Sanz de Sautuola y O'Shea	Member	Executive director
José Antonio Álvarez Álvarez	Member	Executive director
Bruce Carnegie-Brown	Member	Independent director
Homaira Akbari	Member	Independent director
Henrique de Castro	Member	Independent director
Belén Romana García	Member	Independent director
% of executive directors		28.57%
% of proprietary directors		0.00%
% of independent directors		71.43%
% of other external directors		0.00%

## C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years.

	Number of female directors							
	FY 2021		FY 2020		FY 2019		FY 2018	
	Number	%	Number	%	Number	%	Number	%
Audit committee	3	60.00 %	3	60.00%	3	60.00%	2	50.00%
Responsible banking, sustainability and culture committee	3	60.00 %	3	60.00%	5	62.50%	5	62.50%
Innovation and technology committee	3	— %	3	42.85%	3	37.50%	3	42.85%
Nomination committee	2	50.00 %	1	33.33%	2	40.00%	1	25.00%
Remuneration committee	1	20.00 %	1	20.00%	1	20.00%	1	20.00%
Risk supervision, regulation and compliance committee	2	40.00 %	1	20.00%	2	40.00%	2	33.30%
Executive committee	2	33.33 %	2	33.33%	2	28.50%	2	25.00%

## D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.2 Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Not applicable.

D.3 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Not applicable.

D.4 Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Corporate name of the group company	Brief description of the transaction and any other information necessary for its evaluation	Amount (EUR thousand)
Banco Santander (Brasil) S.A. (Cayman Islands Branch)	This chart shows the transactions and the results obtained by the Bank at 31 December 2021 with Group entities resident in countries or territories that were considered non-cooperative jurisdictions pursuant to Spanish legislation, at such date (Law 11/2021 on measures to prevent and fight against tax fraud expands the meaning of tax havens, which it renames "non-cooperative jurisdictions").	18,681
	These results, and the balances indicated below, were eliminated in the consolidation process. See note 3 to the 2021 Consolidated financial statements for more information on offshore entities.	
	The amount shown on the right corresponds to positive results relating to contracting of derivatives (includes branches in New York and London of Banco Santander, S.A.).	
	The referred derivatives had a net positive market value of EUR 274 million in the Bank and covered the following transactions:	
	- 91 Non Delivery Forwards. - 251 Swaps. - 65 Cross Currency Swaps. - 12 Options. - 44 Forex.	
	The amount shown on the right corresponds to negative results relating to short term deposits with the New York branch of Banco Santander, S.A. (liability), all of them expired before 31 December 2021.	1,036
	The amount shown on the right corresponds to positive results relating to deposits with the Hong Kong branch of Banco Santander, S.A. (asset). These deposits had a nominal value of EUR 0.9 million at 31 December 2021.	16
	The amount shown on the right corresponds to positive results relating to fixed income securities-subordinated instruments (asset). This relates to the investment in November 2018 in two subordinated instruments (Tier I Subordinated Perpetual Notes and Tier II Subordinated Notes due 2028) with an amortised cost of EUR 2,228 million as at 31 December 2021.	140,892
	The amount shown on the right corresponds to negative results relating to interests and commissions concerning correspondent accounts (includes Hong Kong branch of Banco Santander, S.A.) (liability). This relates to correspondent accounts with a credit balance of EUR 40 million at 31 December 2021.	15

D.5 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

Not applicable.

## G. DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the good governance code for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies ☒ Explain ☐

2. When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:

a) The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

b) The mechanisms established to resolve any conflicts of interest that may arise.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

3. During the AGM the chair of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Complies ☒ Partially complies ☐ Explain ☐

4. The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies ☒ Partially complies ☐ Explain ☐

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

And that whenever the board of directors approves an issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable mercantile law.

Complies ☒ Partially complies ☐ Explain ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the AGM, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committees.

c) Audit committee report on third-party transactions.

Complies ☒ Partially complies ☐ Explain ☐

7. The company should broadcast its general meetings live on the corporate website.

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

Complies ☒ Explain ☐

8. The audit committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chair of the audit committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

Complies ☒ Partially complies ☐ Explain ☐

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies ☒ Partially complies ☐ Explain ☐

10. When a shareholder so entitled exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the standard attendance card or proxy appointment or remote voting form, duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies ☒ Partially complies ☐ Explain ☐

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies ☒ Explain ☐

14. The board of directors should approve a policy aimed at promoting an appropriate composition of the board that:

a) is concrete and verifiable;

b) ensures that appointment or re-election proposals are based on a prior analysis of the competences required by the board; and

c) favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The nomination committee should run an annual check on compliance with this policy and set out its findings in the annual corporate governance report.

Complies ☒ Partially complies ☐ Explain ☐

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Complies ☒ Partially complies ☐ Explain ☐

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies ☒ Explain ☐

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies ☒ Explain ☐

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies ☒ Partially complies ☐ Explain ☐

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the number of the latter should be reduced accordingly.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies ☒ Explain ☐

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending



to the particular circumstances, de-cide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Complies ☒ Partially complies ☐ Explain ☐

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board rules and regulations should lay down the maximum number of company boards on which directors can serve.

Complies ☒ Partially complies ☐ Explain ☐

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies ☒ Partially complies ☐ Explain ☐

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies ☒ Partially complies ☐ Explain ☐

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes book if the person expressing them so requests.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies ☒ Partially complies ☐ Explain ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies ☒ Explain ☐ Not applicable ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or obtain the information they consider appropriate.

For reasons of urgency, the chair may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies ☒ Partially complies ☐ Explain ☐

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies ☒ Partially complies ☐ Explain ☐

33. The chair, as the person responsible for the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, of the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies ☒ Partially complies ☐ Explain ☐

34. When a lead independent director has been appointed, the bylaws or the Rules and regulations of the board of directors should grant him or her the following powers over and above those conferred by law: to chair the board of directors in the absence of the chair or vice chair; to give voice to the concerns of non-executive directors; to maintain contact with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and to coordinate the chair's succession plan.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies ☒ Explain ☐

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competencies.
- d) The performance of the chair of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chair of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies ☒ Partially complies ☐ Explain ☐

37. When there is an executive committee, there should be at least two non-executive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

38. The board should be kept fully informed of the matters discussed and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

39. All members of the audit committee, particularly its chair, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

Complies ☒ Partially complies ☐ Explain ☐

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chair or the chair of the audit committee.

Complies ☒ Partially complies ☐ Explain ☐

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor, does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provisions of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies ☒ Partially complies ☐ Explain ☐

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another manager.

Complies ☒ Partially complies ☐ Explain ☐

44. The audit committee should be informed of any structural changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

45. Risk control and management policy should identify or establish at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.

c) The level of risk that the company considers acceptable.

d) The measures in place to mitigate the impact of identified risk events should they occur.

e) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies ☒ Partially complies ☐ Explain ☐

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other specialised board committee. This internal department or unit should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies ☒ Partially complies ☐ Explain ☐

47. Members of the nomination and remuneration committee-or of the nomination committee and remuneration committee, if separately constituted - should be chosen procuring they have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies ☒ Partially complies ☐ Explain ☐

48. Large cap companies should have formed separate nomination and remuneration committees.

Complies ☒ Explain ☐ Not applicable ☐

49. The nomination committee should consult with the company's chair and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies ☒ Partially complies ☐ Explain ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies ☒ Partially complies ☐ Explain ☐

51. The remuneration committee should consult with the company's chair and chief executive, especially on matters relating to executive directors and senior officers.

Complies ☒ Partially complies ☐ Explain ☐

52. The rules regarding composition and functioning of supervision and control committees should be set out in the regulations of the board of directors and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in

sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Complies ☒ Partially complies ☐ Explain ☐

54. The minimum functions referred to in the previous recommendation are as follows:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.
- b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.
- c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.
- e) Monitor and evaluate the company's interaction with its stakeholder groups.

Complies ☒ Partially complies ☐ Explain ☐

55. Environmental and social sustainability policies should identify and include at least:

- a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.
- b) The methods or systems for monitoring compliance with policies, associated risks and their management.
- c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.
- d) Channels for stakeholder communication, participation and dialogue.
- e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies ☒ Partially complies ☐ Explain ☐

56. Director remuneration should be sufficient to attract and retain directors with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies ☒ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement accounts or any other retirement plan should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies ☒ Partially complies ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the achievement of short, medium and long-term targets, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one off, occasional or extraordinary events.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes ☐ No ☒

I declare that the information included in this statistical annex are the same and are consistent with the descriptions and information included in the annual corporate governance report published by the company.

### 9.3 Table on compliance with or explanations of recommendations on corporate governance

Recommendation	Comply / Explain	Information
1	Comply	See section <a href="#">3.2 'Shareholder rights'</a> .
2	Not applicable	See 'Conflicts of interest' in section <a href="#">4.12</a> . and section <a href="#">2.3 'Significant shareholders'</a> .
3	Comply	See section <a href="#">3.1 'Shareholder communication and engagement'</a> .
4	Comply	See section <a href="#">3.1 'Shareholder communication and engagement'</a> .
5	Comply	See section <a href="#">2.2 'Authority to increase capital'</a> .
6	Comply	See sections <a href="#">4.5 'Audit committee activities in 2021'</a> , <a href="#">4.6 'Nomination committee activities in 2021'</a> , <a href="#">4.7 'Remuneration committee activities in 2021'</a> , <a href="#">4.8 'Risk supervision, regulation and compliance committee activities in 2021'</a> , <a href="#">4.9 'Responsible banking, sustainability and culture committee activities in 2021'</a> , <a href="#">4.10 'Innovation and technology committee activities in 2021'</a> and <a href="#">4.12 'Related-party transactions and conflicts of interest'</a> .
7	Comply	See 'Engagement with shareholders in 2021' in section <a href="#">3.1</a> , 'Shareholder participation at general meetings' in section <a href="#">3.2</a> and section <a href="#">3.5 'Our next AGM in 2022'</a> .
8	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> and section <a href="#">4.5 'Audit committee activities in 2021'</a> .
9	Comply	See 'Participation of shareholders at the general meeting' in section <a href="#">3.2</a> .
10	Comply	See 'Supplement to the annual general meeting notice' in section <a href="#">3.2</a> .
11	Not applicable	See section <a href="#">3.5 'Our next AGM in 2022'</a> .
12	Comply	See section <a href="#">4.3 'Board functioning and effectiveness'</a> .
13	Comply	See 'Size' in section <a href="#">4.2</a> .
14	Comply	See 'Diversity' and 'Election, renewal and succession of directors' in section <a href="#">4.2</a> , 'Rules and regulations of the board' in section <a href="#">4.3</a> , 'Duties and activities in 2021' in section <a href="#">4.6</a> , section <a href="#">5 'Management team'</a> and <a href="#">'Responsible banking'</a> chapter.
15	Comply	See section <a href="#">4.2 'Board composition'</a> .
16	Comply	See 'Composition by type of director' in section <a href="#">4.2</a> .
17	Comply	See 'Composition by type of director' and 'Election, renewal and succession of directors' in section <a href="#">4.2</a> .
18	Comply	See 'Corporate website' in section <a href="#">3.1</a> and section <a href="#">4.1 'Our directors'</a> .
19	Not applicable	See 'Composition by type of director' and 'Tenure and equity ownership' in section <a href="#">4.2</a> .
20	Comply	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> .
21	Comply	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> .
22	Comply	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> , 'Rules and regulations of the board' in section <a href="#">4.3</a> and 'Duties and activities in 2021' in section <a href="#">4.6</a> .
23	Comply	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> .
24	Comply	See 'Election, renewal and succession of directors' in section <a href="#">4.2</a> , 'Rules and regulations of the board' in section <a href="#">4.3</a> and 'Duties and activities in 2021' in section <a href="#">4.6</a> .
25	Comply	See 'Board and committees attendance' in section <a href="#">4.3</a> and 'Duties and activities in 2021' in section <a href="#">4.6</a> .
26	Comply	See 'Board meetings' and 'Board and committee attendance' in section <a href="#">4.3</a> .
27	Comply	See 'Board meetings' and 'Board and committee attendance' in section <a href="#">4.3</a> .
28	Comply	See 'Board meetings' in section <a href="#">4.3</a> .
29	Comply	See 'Board meetings' in section <a href="#">4.3</a> .
30	Comply	See 'Training of directors and induction programmes for new directors' in section <a href="#">4.3</a> .
31	Comply	See 'Board meetings' in section <a href="#">4.3</a> .
32	Comply	See section <a href="#">3.1 'Shareholder communication and engagement'</a> and 'Duties and activities in 2021' in section <a href="#">4.6</a> .
33	Comply	See section <a href="#">4.3 'Board functioning and effectiveness'</a> .
34	Comply	See 'Lead independent director' in section <a href="#">4.3</a> .
35	Comply	See 'Secretary of the board' in section <a href="#">4.3</a> .
36	Comply	See 'Board assessment in 2021' in section <a href="#">4.3</a> .
37	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> and 'Composition' in section <a href="#">4.4</a> .
38	Comply	See 'Committee meetings' in section <a href="#">4.3</a> and section <a href="#">4.4 'Executive committee activities in 2021'</a> .
39	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> and 'Composition' in section <a href="#">4.5</a> .
40	Comply	See 'Duties and activities in 2021' in section <a href="#">4.5</a> and section <a href="#">8.5 'Monitoring'</a> .
41	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> and 'Duties and activities in 2021' in section <a href="#">4.5</a> .
42	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> and 'Duties and activities in 2021' in section <a href="#">4.5</a> .
43	Comply	See 'Committee meetings' in section <a href="#">4.3</a> .
44	Comply	See 'Duties and activities in 2021' in section <a href="#">4.5</a> .
45	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> , 'Duties and activities in 2021' in section <a href="#">4.5</a> , 'Duties and activities in 2021' in section <a href="#">4.8</a> and the <a href="#">'Risk management and compliance'</a> chapter.



Recommendation	Comply / Explain	Information
46	Comply	See 'Duties and activities in 2021' in section <a href="#">4.5</a> , 'Duties and activities in 2021' in section <a href="#">4.8</a> and the ' <a href="#">Risk management and compliance</a> ' chapter.
47	Comply	See 'Composition' in section <a href="#">4.6</a> and 'Composition' in section <a href="#">4.7</a> .
48	Comply	See 'Structure of board committees' in section <a href="#">4.3</a> .
49	Comply	See 'Duties and activities in 2021' in section <a href="#">4.6</a> .
50	Comply	See 'Duties and activities in 2021' in section <a href="#">4.7</a> .
51	Comply	See 'Duties and activities in 2021' in section <a href="#">4.7</a> .
52	Comply	See 'Rules and regulations of the board' and 'Committee meetings' in section <a href="#">4.3</a> and sections <a href="#">4.8</a> ' <a href="#">Risk supervision, regulation and compliance committee activities in 2021</a> ' and <a href="#">4.9</a> ' <a href="#">Responsible banking, sustainability and culture committee activities in 2021</a> '.
53	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> , 'Duties and activities in 2021' in section <a href="#">4.6</a> , 'Duties and activities in 2021' in section <a href="#">4.8</a> and 'Duties and activities in 2021' in section <a href="#">4.9</a> .
54	Comply	See 'Rules and regulations of the board' in section <a href="#">4.3</a> , 'Duties and activities in 2021' in section <a href="#">4.6</a> , 'Duties and activities in 2021' in section <a href="#">4.8</a> and 'Duties and activities in 2021' in section <a href="#">4.9</a> .
55	Comply	See 'Duties and activities in 2021' in section <a href="#">4.9</a> and ' <a href="#">Responsible banking</a> ' chapter.
56	Comply	See sections <a href="#">6.2</a> ' <a href="#">Remuneration of directors for supervisory and collective decision-making duties: policy applied in 2021</a> ', <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> ' and <a href="#">6.4</a> ' <a href="#">Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote</a> '.
57	Comply	See sections <a href="#">6.2</a> ' <a href="#">Remuneration of directors for supervisory and collective decision-making duties: policy applied in 2021</a> ', <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> ' and <a href="#">6.4</a> ' <a href="#">Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote</a> '.
58	Comply	See section <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> ' and <a href="#">6.4</a> ' <a href="#">Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote</a> '.
59	Comply	See section <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> '.
60	Comply	See section <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> '.
61	Comply	See section <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> ' and <a href="#">6.4</a> ' <a href="#">Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote</a> '.
62	Comply	See 'Duties and activities in 2021' in section <a href="#">4.7</a> , section <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> ' and <a href="#">6.4</a> ' <a href="#">Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote</a> '.
63	Comply	See section <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> ' and <a href="#">6.4</a> ' <a href="#">Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote</a> '.
64	Comply	See sections <a href="#">6.1</a> ' <a href="#">Principles of the remuneration policy</a> ' and <a href="#">6.3</a> ' <a href="#">Remuneration of directors for executive duties</a> ' and <a href="#">6.4</a> ' <a href="#">Directors' remuneration policy for 2022, 2023 and 2024 submitted to a binding shareholder vote</a> '.

## 9.4 Reconciliation to the CNMV's remuneration report model

Section in the CNMV model	Included in statistical report	Further information elsewhere and comments
<b>A. Remuneration policy for the present fiscal year</b>		
A.1	No	<ul style="list-style-type: none"> <li>See section <a href="#">6.4</a>: A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, A.1.6, A.1.7, A.1.8, A.1.9, A.1.10, A.1.11 (<a href="#">note 5</a>), A.1.12.</li> <li>See also sections <a href="#">4.7</a> and <a href="#">6.5</a> for A.1.1 y A.1.6.</li> <li>See 'Summary of link between risk, performance and reward' in section <a href="#">6.3</a>.</li> </ul>
A.2	No	See section <a href="#">6.4</a> .
A.3	No	See section <a href="#">6.4</a> . See Introduction.
A.4	No	See section <a href="#">6.5</a> .
<b>B. Overall summary of application of the remuneration policy over the last fiscal year</b>		
B.1	No	For B.1.1, see sections <a href="#">6.1</a> , <a href="#">6.2</a> and <a href="#">6.3</a> . For B.1.2 y B.1.3 (not applicable) see section <a href="#">6.5</a>
B.2	No	See 'Summary of link between risk, performance and reward' in section <a href="#">6.3</a> .
B.3	No	See sections <a href="#">6.1</a> , <a href="#">6.2</a> and <a href="#">6.3</a> .
B.4	No	See section <a href="#">6.5</a> .
B.5	No	See section <a href="#">6.2</a> and <a href="#">6.3</a>
B.6	No	See 'Gross annual salary' in section <a href="#">6.3</a> .
B.7	No	See 'Variable remuneration' in section <a href="#">6.1</a> , <a href="#">6.2</a> and <a href="#">6.3</a> .
B.8	No	Not applicable.
B.9	No	See 'Main features of the benefit plans' in section <a href="#">6.3</a> .
B.10	No	See 'Other remuneration' in section <a href="#">6.3</a> .
B.11	No	See 'Terms and conditions of executive directors' contracts' in section <a href="#">6.4</a> .
B.12	No	See section <a href="#">6.3</a> : "Remuneration of board members as representatives of Banco Santander"
B.13	No	See <a href="#">note 5</a> to the consolidated financial statements.
B.14	No	See 'Insurance and other remuneration and benefits in kind' in section <a href="#">6.4</a> .
B.15	No	See 'Remuneration of board members as representatives of the Bank' in section <a href="#">6.3</a> .
B.16	No	No remuneration for this component.
<b>C. Breakdown of the individual remuneration of directors</b>		
C	Yes	See section <a href="#">9.5</a> .
C.1 a) i)	Yes	See section <a href="#">9.5</a> .
C.1 a) ii)	Yes	See section <a href="#">9.5</a> .
C.1 a) iii)	Yes	See section <a href="#">9.5</a> .
C.1 a) iii)	Yes	See section <a href="#">9.5</a> .
C.1 b) i)	Yes	See section <a href="#">9.5</a> .
C.1 b) ii)	No	See section <a href="#">9.5</a> .
C.1 b) iii)	No	See section <a href="#">9.5</a> .
C.1 b) iv)	No	See section <a href="#">9.5</a> .
C.1 c)	Yes	See section <a href="#">9.5</a> .
C.2	Yes	See section <a href="#">9.5</a> .
<b>D. Other information of interest</b>		
D	No	See section <a href="#">4.7</a>



## 9.5 Statistical information on remuneration required by the CNMV

### B. OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR ENDED

B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:

	Number	% of total
Votes cast	11,735,176,840	100.00 %

	Number	% of votes cast
Votes in favour	10,434,787,981	88.92 %
Votes against	957,730,594	8.16 %
Blank	4,554,563	0.04 %
Abstentions	338,103,702	2.88 %

### C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Directors	Type	Period of accrual in year 2021
Ms Ana Botín-Sanz de Sautuola y O'Shea	Executive	From 01/01/2021 to 31/12/2021
Mr José Antonio Álvarez Álvarez	Executive	From 01/01/2021 to 31/12/2021
Mr Bruce Carnegie-Brown	Lead independent director	From 01/01/2021 to 31/12/2021
Ms Homaira Akbari	Independent	From 01/01/2021 to 31/12/2021
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea	Other external	From 01/01/2021 to 31/12/2021
Mr Álvaro Antonio Cardoso de Souza	Independent	From 01/01/2021 to 31/12/2021
Mr Ramón Martín Chávez Márquez	Independent	From 01/01/2021 to 31/12/2021
Ms Sol Daurella Comadrán	Independent	From 01/01/2021 to 31/12/2021
Mr Henrique Manuel Drummond Borges Cirne de Castro	Independent	From 01/01/2021 to 31/12/2021
Ms Gina Díez Barroso	Independent	From 01/01/2021 to 31/12/2021
Mr Luis Isasi Fernández de Bobadilla	Other External	From 01/01/2021 to 31/12/2021
Mr Ramiro Mato García-Ansorena	Independent	From 01/01/2021 to 31/12/2021
Mr Sergio Rial	Executive	From 01/01/2021 to 31/12/2021
Ms Belén Romana García	Independent	From 01/01/2021 to 31/12/2021
Mrs Pamela Ann Walkden	Independent	From 01/01/2021 to 31/12/2021

**C.1 Complete the following tables on individual remuneration of each director (including the remuneration for exercising executive functions) accrued during the year.**

**a) Remuneration from the reporting company:**

**i) Remuneration in cash (thousand euros)**

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration <sup>1</sup>	Severance pay	Other grounds	Total year 2021	Total year 2020
Ms Ana Botín-Sanz de Sautuola y O'Shea	90	45	195	3,176	2,941	561	—	525	7,533	5,352
Mr José Antonio Álvarez Álvarez	90	45	195	2,541	1,985	375	—	710	5,941	4,370
Mr Bruce Carnegie-Brown	275	80	345	—	—	—	—	—	700	595
Ms Homaira Akbari	90	78	80	—	—	—	—	—	248	202
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea	90	39	—	—	—	—	—	—	129	122
Mr Álvaro Antonio Cardoso de Souza	90	50	43	—	—	—	—	—	183	243
Mr Ramón Martín Chávez Márquez	90	99	185	—	—	—	—	—	374	37
Ms Sol Daurella Comadrán	90	84	65	—	—	—	—	—	239	214
Mr Henrique Manuel Drummond Borges Cirne de Castro	90	87	90	—	—	—	—	—	267	217
Ms Gina Díez Barroso	90	39	1	—	—	—	—	—	130	4
Mr Luis Isasi Fernández de Bobadilla	90	81	235	—	—	—	—	1,000	1,406	943
Mr Ramiro Mato García-Ansorena	90	94	315	—	—	—	—	—	499	430
Mr Sergio Rial	90	39	—	750	—	—	—	—	879	63
Ms Belén Romana García	90	100	343	—	—	—	—	—	533	417
Mrs Pamela Ann Walkden	90	76	137	—	—	—	—	—	303	214
Mr Rodrigo Echenique Gordillo	—	—	—	—	—	292	—	—	292	2,369
Mr Ignacio Benjumea Cabeza de Vaca	—	—	—	—	—	—	—	—	—	275
Mr Guillermo de la Dehesa Romero	—	—	—	—	—	—	—	—	—	108
Ms Esther Giménez-Salinas i Colomer	—	—	—	—	—	—	—	—	—	191

Comments (Not included in the electronic submission to the CNMV)

1. Includes deferred amounts from the 2017 deferred and conditional variable remuneration plan subject to long term metrics for Ana Botín, José Antonio Álvarez and Rodrigo Echenique.

## ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments granted at start of year 2021		Financial instruments consolidated during 2021				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (EUR thousand)	No. of instruments	No. of instruments	No. of equivalent shares
Ms Ana Botín-Sanz de Sautuola y O'Shea	2nd cycle of deferred variable remuneration plan linked to multi-year targets (2017)	206,775	206,775	—	—	94,083	94,083	3.104	292	112,692	—	—
	3rd cycle of deferred variable remuneration plan linked to multi-year targets (2018)	309,911	309,911	—	—	—	—	—	—	—	309,911	309,911
	4th cycle of deferred variable remuneration plan linked to multi-year targets (2019)	319,390	319,390	—	—	—	—	—	—	—	319,390	319,390
	5th cycle of deferred variable remuneration plan linked to multi-year targets (2020)	111,823	111,823	—	—	—	—	—	—	—	111,823	111,823
	6th cycle of deferred variable remuneration plan linked to multi-year targets (2021)	—	—	1,480,622	1,480,622	947,598	947,598	3.104	2,941	—	533,024	533,024
Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments granted at start of year 2021		Financial instruments consolidated during 2021				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (EUR thousand)	No. of instruments	No. of instruments	No. of equivalent shares
Mr. José Antonio Álvarez Álvarez	2nd cycle of deferred variable remuneration plan linked to multi-year targets (2017)	138,283	138,283	—	—	62,919	62,919	3.104	195	75,364	—	—
	3rd cycle of deferred variable remuneration plan linked to multi-year targets (2018)	207,097	207,097	—	—	—	—	—	—	—	207,097	207,097
	4th cycle of deferred variable remuneration plan linked to multi-year targets (2019)	213,449	213,449	—	—	—	—	—	—	—	213,449	213,449
	5th cycle of deferred variable remuneration plan linked to multi-year targets (2020)	60,739	60,739	—	—	—	—	—	—	—	60,739	60,739
	6th cycle of deferred variable remuneration plan linked to multi-year targets (2021)	—	—	999,259	999,259	639,526	639,526	3.104	1,985	—	359,733	359,733

Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments granted at start of year 2021		Financial instruments consolidated during 2021				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (EUR thousand)	No. of instruments	No. of instruments	No. of equivalent shares
Mr. Rodrigo Echenique Gordillo	2nd cycle of deferred variable remuneration plan linked to multi-year targets (2017)	107,764	107,764	—	—	49,033	49,033	3.104	152	58,731		
	3rd cycle of deferred variable remuneration plan linked to multi-year targets (2018)	164,462	164,462	—	—						164,462	164,462
	4th cycle of deferred variable remuneration plan linked to multi-year targets (2019)	98,092	98,092	—	—						98,092	98,092

Comments (Not included in the electronic submission to the CNMV)

After reviewing the results of the 2nd cycle of the deferred variable remuneration plan linked to multi-year targets (2017), the board of directors confirmed in 2021, upon recommendation from the remunerations committee, a 45.5% achievement of the long-term metrics of the plan (as the following level of achievement was met during 2017-2019 period: CET1 at 100% (the target was 11.30%); underlying EPS growth at 36.34% (the target was a 25% growth); and TSR metric at 0% (33% minimum target not reach), with a 33% weight each one; and the amounts of the pending deliveries for each executive director, payable in February 2021, 2022 and 2023 in connection with this plan.

## iii) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system
Ms Ana Botín-Sanz de Sautuola y O'Shea	1,041
Mr José Antonio Álvarez Álvarez	783

Name	Contribution over the year from the company (EUR thousand)				Amount of accumulated funds (EUR thousand)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		2021		2020	
	2021	2020	2021	2020	Systems with consolidated economic rights	Systems with unconsolidated economic rights	Systems with consolidated economic rights	Systems with unconsolidated economic rights
Ms Ana Botín-Sanz de Sautuola y O'Shea	1,041	1,155	—	—	48,075	—	49,444	—
Mr José Antonio Álvarez Álvarez	783	864	—	—	18,821	—	18,082	—

## iv) Details of other items (Thousands of EUR)

Name	Item	Amount remunerated
Ms Ana Botín-Sanz de Sautuola y O'Shea	Life and accident insurance and fixed remuneration supplement insurance	459
	Other remuneration	22

Name	Item	Amount remunerated
Mr José Antonio Álvarez Álvarez	Life and accident insurance and fixed remuneration supplement insurance	817
	Other remuneration	7

## b) Remuneration of the company directors for seats on the boards of other group companies:

## i) Remuneration in cash (Thousands of EUR)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total year 2021	Total year 2020
Ms Homaira Akbari	213	—	—	—	—	—	—	—	213	184
D. Álvaro Antonio Cardoso de Souza	282	—	—	—	—	—	—	52	334	335
Mr. Ramón Martín Chávez Márquez	52	—	—	—	—	—	—	—	52	17
D. Henrique Manuel Drummond Borges Cirne de Castro	52	—	—	—	—	—	—	—	52	17
Ms. Pamela Walkden	36	—	—	—	—	—	—	—	36	—
D. Sergio Rial <sup>1</sup>	—	—	—	1,985	2,009	—	—	7	4,001	4,020
D.ª Gina Díez Barroso	—	—	—	—	—	—	—	—	—	14

Comments (Not included in the electronic submission to the CNMV)

1. Long-term variable remuneration includes amounts since the appointment as director.

## ii) Table of changes in share/based remunerations schemes and gross profit from consolidated shares of financial instruments

Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments granted at start of year 2021		Financial instruments consolidated during 2021				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (EUR thousand)	No. of instruments	No. of instruments	No. of equivalent shares
Mr. Sergio Rial	5th cycle of deferred variable remuneration plan linked to multi-year targets (2020)	472,500	472,500	—	—	—	—	—	—	—	472,500	472,500
	6th cycle of deferred variable remuneration plan linked to multi-year targets (2021)	—	—	625,000	625,000	400,000	400,000	5.022	2,009	—	225,000	225,000

Comments (Not included in the electronic submission to the CNMV)

After reviewing the results of the 2nd cycle of the deferred variable remuneration plan linked to multi-year targets (2017), the board of directors confirmed in 2021, upon recommendation from the remunerations committee, a 45.5% achievement of the long-term metrics of the plan (as the following level of achievement was met during 2017-2019 period: CET1 at 100% (the target was 11.30%); underlying EPS growth at 36.34% (the target was a 25% growth); and TSR metric at 0% (33% minimum target not reach), with a 33% weight each one; and the amounts of the pending deliveries for each executive director, payable in February 2021, 2022 and 2023 in connection with this plan.

## iii) Long term saving systems

Name	Remuneration from consolidation of rights to savings system
Mr Sergio Rial	1,153

Name	Contribution over the year from the company (EUR thousand)				Amount of accumulated funds (EUR thousand)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		2020		2019	
	2020	2019	2020	2019	Systems with consolidated economic rights	Systems with unconsolidated economic rights	Systems with consolidated economic rights	Systems with unconsolidated economic rights
	2020	2019	2020	2019	2020	2019	2020	2019
Mr Sergio Rial	1,153	693	—	—	5,202	—	3,900	—

## iv) Detail of other items (Thousands of EUR)

Name	Item	Amount Remunerated 2021
Mr Sergio Rial	Fundo de Pensão do Governo	159
	Other remuneration	7

## c) Summary of remuneration (Thousands of EUR)

The summary should include the amounts corresponding to all the items of remuneration included in this report that have been accrued by the director, in thousand euros.

Name	Remuneration accrued in the company					Remuneration accrued in group companies						
	Total cash remuneration	Gross profit on consolidated shares or financial instruments	Contributions to the long-term savings plan	Remuneration for other items	Total 2021	Total 2020	Total cash remuneration	Gross profit on consolidated shares or financial instruments	Contributions to the long-term savings plan	Remuneration for other items	Total 2021	Total 2020
Ms Ana Botín-Sanz de Sautuola y O'Shea	7,533	3,233	1,041	481	12,288	8,090	—	—	—	—	—	—
Mr José Antonio Álvarez Álvarez	5,941	2,180	783	824	9,728	6,877	—	—	—	—	—	—
Mr Bruce Carnegie-Brown	700	—	—	—	700	595	—	—	—	—	—	—
Ms Homaira Akbari	248	—	—	—	248	202	213	—	—	—	213	184
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea	129	—	—	—	129	122	—	—	—	—	—	—
Mr Álvaro Antonio Cardoso de Souza	183	—	—	—	183	243	334	—	—	—	334	335
Mr Ramón Martín Chávez Márquez	374	—	—	—	374	37	52	—	—	—	52	17
Ms Sol Daurella Comadrán	239	—	—	—	239	214	—	—	—	—	—	—
Mr Henrique Manuel Drummond Borges Cirne de Castro	267	—	—	—	267	217	52	—	—	—	52	17
Ms Gina Díez Barroso	130	—	—	—	130	4	—	—	—	—	—	14
Mr Luis Isasi Fernández de Bobadilla	1,406	—	—	—	1,406	943	—	—	—	—	—	—
Mr Ramiro Mato García-Ansorena	499	—	—	—	499	430	—	—	—	—	—	—
Mr Sergio Rial	879	—	—	—	879	63	4,001	2,009	1,153	7	7,170	6,558
Ms Belén Romana García	533	—	—	—	533	417	—	—	—	—	—	—
Mrs Pamela Ann Walkden	303	—	—	—	303	214	36	—	—	—	36	—
Mr Rodrigo Echenique Gordillo	292	152	—	—	444	2,595	—	—	—	—	—	—
Mr Ignacio Benjumea Cabeza de Vaca	—	—	—	—	—	275	—	—	—	—	—	—
Mr Guillermo de la Dehesa Romero	—	—	—	—	—	108	—	—	—	—	—	—
Ms Esther Giménez-Salinas i Colomer	—	—	—	—	—	191	—	—	—	—	—	—
<b>Total</b>	<b>19,656</b>	<b>5,565</b>	<b>1,824</b>	<b>1,305</b>	<b>28,350</b>	<b>21,837</b>	<b>4,688</b>	<b>2,009</b>	<b>1,153</b>	<b>7</b>	<b>7,857</b>	<b>7,125</b>

Comments (Not included in the electronic submission to the CNMV)

1. Includes deferred amounts from the 2017 deferred and conditional variable remuneration plan subject to long term metrics for Ana Botín, José Antonio Álvarez and Rodrigo Echenique.



C.2 Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

Directors' remuneration (EUR Thousand)	2021	% var. 21/20	2020	% var. 20/19	2019	% var. 19/18	2018	% var. 18/17	2017
<b>• Executive Directors</b>									
Ana Botín-Sanz de Sautuola y O'Shea	12,288	52%	8,090	(19)%	9,954	(10)%	11,011	4%	10,582
José Antonio Álvarez Álvarez	9,728	41%	6,877	(17)%	8,270	(8)%	9,001	1%	8,893
Sergio Rial	8,049	22%	6,621	—	—	—	—	—	—
<b>• External Directors<sup>1</sup></b>									
Bruce Carnegie-Brown	700	18%	595	(15)%	700	(4)%	732	—	731
Francisco Javier Botín-Sanz de Sautuola y O'Shea	129	6%	122	(11)%	137	13%	121	(2)%	124
Sol Daurella Comadrán	239	12%	214	(11)%	240	12%	215	4%	207
Belén Romana García	533	28%	417	(21)%	525	27%	414	39%	297
Homaira Akbari	461	19%	386	71%	226	14%	199	25%	159
Ramiro Mato García-Ansorena	499	16%	430	(14)%	500	11%	450	—	36
Álvaro Cardoso de Souza	517	(11)%	578	(14)%	673	355%	148	—	—
Henrique Manuel Drummond Borges Cirne de Castro	319	36%	234	172%	86	—	—	—	—
Pamela Ann Walkden	339	59%	214	529%	34	—	—	—	—
Luis Isasi Fernández de Bobadilla	1,406	49%	943	—	—	—	—	—	—
Ramón Martín Chávez Márquez	426	689%	54	—	—	—	—	—	—
Gina Díez Barroso	130	622%	18	—	—	—	—	—	—
<b>Company's performance</b>									
Underlying profit attributable to the Group (EUR mn)	8,654	70%	5,081	(38)%	8,252	2%	8,064	7%	7,516
Consolidated results of the Group <sup>2</sup> (EUR mn)	14,547	—	(2,076)	—%	12,543	(12)%	14,201	17%	12,091
Ordinary RoTE	12.73%	71%	7.44%	(37)%	11.79%	(2)%	12.08%	2%	11.82%
<b>Employees' average remuneration<sup>3</sup> (EUR)</b>	<b>55,673</b>	<b>18%</b>	<b>47,130</b>	<b>(12)%</b>	<b>53,832</b>	<b>2%</b>	<b>52,941</b>	<b>(5)%</b>	<b>55,484</b>

1. Non-executive directors' remuneration fluctuations are caused by joining or leaving the Board of Directors and the difference in the amount of meetings they assist during the year. Hence there is no correlation between their remuneration and the company performance.

2. Group operating profit/(loss) before tax.

3. Employee average remuneration includes all concepts, including other remuneration. Full-time equivalent data. The percentage of variable remuneration over fixed remuneration in an average employee is lower than that of the executive directors. Variable remuneration data accrued in the current year. Evolutive data impacted by exchange rate performance in the group's geographies.

(Notes not included in the electronic submission to the CNMV)

This annual report on remuneration has been approved by the board of directors of the company, at its meeting on 24 February 2022.

State if any directors have voted against or abstained from approving this report.

Yes ☐ No ☒

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# Economic and financial review



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# 1. Economic, regulatory and competitive context

In 2021, Santander operated in an environment marked by (i) fiscal and monetary policies implemented to counter the adverse effects of the covid-19 pandemic; (ii) the ongoing recovery from the pandemic, which has been inconsistent across countries and sectors; (iii) new covid-19 variants and significant outbreaks; and (iv) an upturn in inflation in the second half of the year, which reached a three-decade high in mature markets.

Inflationary pressures have intensified as a result of a number of factors, including the renewed demand for consumer goods; labour shortages; tensions in the supply chains of microchips and other key items; transportation issues; and increases in energy, certain raw materials and food prices.

Under these circumstances, withdrawal of the expansionary fiscal and monetary policies implemented in response to the covid-19 pandemic began, especially in the last quarter of 2021, particularly in countries that experienced the heaviest pressure on prices.

Economic performance by geography was as follows:

- **Eurozone** (GDP: 5.2% estimated in 2021). GDP growth was driven by the lifting of lockdown measures and expansionary monetary and fiscal policies. The ECB kept interest rates stable despite the 5.1% rise in inflation in January 2022. However, at the monetary policy meeting held in February, the ECB showed more concern and was less positive regarding the outlook for inflation. In December 2021, the ECB had announced a reduction in its asset purchases starting in spring 2022.
- **Spain** (GDP: 5.0% in 2021). Economic recovery continued in 2021, a trend which is expected to return GCP to pre-pandemic levels in 2022. The labour market improved at a faster rate, with employment exceeding pre-pandemic levels. Inflation reached 6.7% in December, largely due to energy prices.
- **United Kingdom** (GDP: 7.5% in 2021). Strong economic growth offset the severe decline in 2020. Tensions in the labour market, particularly in some sectors, posed a greater risk for higher inflation (which exceeded 5% and is one of the main reasons behind the Bank of England's interest rate hike from 0.1% to 0.25% at the end of the year) to take hold.
- **Portugal** (GDP: 4.9% in 2021). Economic recovery continued. The labour market recovered quickly (unemployment at 6.5%) and inflation jumped to 2.7% in December. The socialist party won the country's parliamentary elections held in January 2022 with an absolute majority, providing stability for the next 4 years.
- **Poland** (GDP: 5.7% in 2021). The economy was remarkably buoyant despite a relatively moderate decline in 2020. Inflation ended the year at 8.6%, leading the central bank to raise the official interest rate to 2.25%.
- **United States** (GDP: 5.7% in 2021). Fiscal impulses and the reopening of the economy favoured a vigorous economic recovery which was somewhat dampened by supply-side problems from summer onwards. Supply chain and labour constraints pushed inflation to 7.0%. Unemployment falling to 3.9% in November drove the Federal Reserve (Fed) to start withdrawing monetary stimulus.
- **Mexico** (GDP: 4.8% preliminary in 2021). Strong GDP growth, partially reversing the decline in 2020. Inflation picked up considerably (7.4%). Banco de México raised its official benchmark from a low of 4.0% in the first half of 2021 to 5.5% at the end of the year.
- **Brazil** (GDP: 4.6% estimated in 2021). Outstanding economic recovery, especially since the drop in 2020 was lower than in the region as a whole. However, growth stalled as the year progressed due to the withdrawal of the 2020 fiscal stimulus and, in particular, to the inflation upturn (10.1% in December) and the consequent official interest rate hike, from 2% to 9.25% by the end of 2021, and an additional hike in January 2022 to 10.75%.
- **Chile** (GDP: 12.0% estimated in 2021). Sharp GDP growth stemmed from exceptional fiscal and monetary measures. Inflation rebounded to 7.2%. Banco Central de Chile raised the official interest rate from 0.5% to 4% by the end of 2021, with a further increase to 5.5% in January 2022.
- **Argentina** (GDP: 10.0% estimated in 2021). Strong recovery after recording one of the region's largest declines in 2020, driven by the reopening of service sector activities and fiscal stimulus. Inflation remained high at monthly rates of around 3%.

The exchange rates of our main currencies against the euro in 2021 and 2020 were:

#### Exchange rates: 1 euro/currency parity

	Average		Period-end	
	2021	2020	2021	2020
US dollar	1.182	1.140	1.133	1.227
Pound sterling	0.859	0.889	0.840	0.898
Brazilian real	6.372	5.814	6.319	6.373
Mexican peso	23.980	24.364	23.152	24.438
Chilean peso	897.123	902.072	964.502	871.819
Argentine peso	112.383	79.555	116.302	103.159
Polish zloty	4.564	4.441	4.597	4.559

In mature markets, vaccination campaigns' favourable impact on the recovery of international travel acted as a support lever for equities, (especially in the US, where there was a strong fiscal impulse in addition to monetary stimulus). Spain, however, lagged behind other European countries and its stock market has not yet recovered pre-covid levels.

Inflationary pressures built up by rising commodity prices and by global supply chain bottlenecks due to a post-covid demand spike (especially for goods) pushed up bond yields in early 2021. Inflation is proving a more persistent problem than initially expected and central banks have started to withdraw monetary stimulus. Long-term debt yields remained subdued, as the withdrawal of stimulus is perceived as a risk to medium-term growth and there is still some uncertainty about the pandemic caused by new variants. German *bund* yields remained negative. The US dollar appreciated against the euro, boosted by the growth differential benefitting the US and expectations that the Fed will be ahead of the ECB in normalizing monetary policy.

Latin American countries' assets struggled amid heightened uncertainty stemming from rising inflation and tightening financial conditions, stimulus withdrawal in the US, the economic risk of new covid-19 variants, and some political tensions. Uncertainty was reflected in the fact that central bank interest rate hikes did not lead to currency appreciation in the countries.

The international banking environment is entering a phase of normalization and banks are gradually returning to their traditional business. In general, as support measures helped cushion the blow of the pandemic in the private sector, loan portfolios deteriorated less initially forecasted. This, together with economic recovery, is enabling banks to lower provisions, which improved profitability relative to 2020.

We estimate that this, together with stronger solvency in 2021, will leave the banking industry in a strong position to face a potential economic slowdown, based on the stress tests carried out by the main central banks.

Even so, global inflationary pressures and the consequent tightening of monetary policy in most economies pose management challenges for banks in the short term, particularly in developing markets with high indebtedness.

The challenges faced by the banking industry (considered more medium-term) have gained momentum in recent years and require institutions to act swiftly. The digital transformation accelerated during the pandemic, pushing entities to offer the best digital customer experience in the wake of a surge in new competitors.

The climate transition also requires a significant effort as institutions must develop new portfolio classification models to understand each entity's exposure to the transitional and physical risks that companies and households will face due to climate change in the coming years. This will be reflected in the first climate change stress exercises that the main central banks will conduct in 2022.

#### Regulatory environment

As in 2020, sustainability and digitalization took centre stage in a regulatory landscape once again influenced by the covid-19 pandemic, with debates on key prudential topics, in view of the need to ensure banks' ability to help keep the economy afloat during times of crisis.

Prominent actions came in three areas:

- Prudential: the European Commission published its proposal to implement the Basel III reform, which aims to reduce excessive variability of risk-weighted assets and favour comparability among banks.
- Sustainability: Europe continued to lead the way in talks on sustainability. Of note was the adoption of the Taxonomy Regulation that sets the criteria for classifying economic activities as environmentally sustainable. It also dictates the information that financial and non-financial companies will have to disclose about the environmental impact of their activities. Furthermore, the green asset ratio (GAR) is of utmost importance to the banking industry as it will show the percentage of exposures aligned with the EU Taxonomy.
- Digitalization: because covid-19 has sped up digitalization, the authorities are keen to regulate platforms and risks associated with new, private currencies that could enter into wide circulation (e.g. stablecoins). Central banks continue to explore the possibility of issuing digital currencies. A significant marker in the age of the digital economy is the deal struck by the OECD to ensure that all multinational enterprises pay tax wherever they earn profits, regardless of physical presence.

For more details, see [note 1.e](#) to the consolidated financial statements.



## Summary of Santander and public policy

Santander has always been highly supportive of robust, high-quality regulation that supports bank strength and solvency, underpins robust consumer protection and market stability standards, and creates transparency on risk and resilience for investors and supervisors. We are committed to engaging constructively and transparently with public policy makers and regulators on the aims, design and implementation of banking rules and policy frameworks that impact our banks' or our customers' interests. All our public policy engagements are oriented to providing decision-makers, mainly through official consultations, with valuable insights and data of the banking industry with transparency and integrity.

### Capital and bank resilience

We believe that the reforms of the last decade have made financial institutions more robust in terms of capital. However, the covid-19 crisis which began in 2019 has raised some issues regarding the functioning of the regulatory framework that need to be carefully assessed. Additionally, the EU still has work to do to build the foundations of a true banking union. We continue to advocate for:

1

- An approach to continue working on the implementation of Basel III standards that does not materially increase new post-crisis capital requirements and takes into account the demands of digitalization, the green transformation and the post-covid recovery.
- Careful reflection on how aspects of the framework established after the 2009 crisis worked in the covid-19 context, for example, the capital buffers, as well as supervisory decisions taken during the crisis such as restrictions on dividend payouts.
- Banking regulation needs to recognize some of the realities of banks with a global footprint, such as the recognition of the Multiple Point of Entry resolution framework.
- A common deposit insurance scheme for EU banks that breaks the bank/sovereign loop.

### Sustainability and sustainable finance

We believe that decarbonization is a first order social and environmental challenge in which banks have an important role to play and are fully committed to the objectives. We continue to advocate for:

2

- A fair transition; in which the costs and impacts of change are anticipated and addressed proactively.
- International coordination on key policy frameworks to the greatest extent possible, especially on green taxonomies, climate disclosures and climate-risk stress testing.
- Robust, credible and comparable ESG data availability as a key enabler to make informed decisions and particularly to direct financial flows towards net zero emissions economies.
- A supervisory approach to climate-related risks in banking that avoids front-loading requirements faster than wider regulatory reforms are consolidated.

### The digital landscape

We believe digital transformation is a force for innovation and customer choice in banking. Banks have to be able to compete under fair terms with any player providing financial services. We continue to advocate for:

3

- *Ex ante* competition rules that address the way in which gatekeepers could engage with business users and consumers. For example, in order to ensure fair access to data and critical infrastructure.
- A level playing field based on the principle of "same rules, same risks, same regulation and same supervision" to ensure that, when technology firms take on banking or payments activities and risks, they are regulated the same as banks or incumbent payments providers.
- An open finance regime in the EU and elsewhere in which consumers and users are given true power over all their relevant data, not just that held by banks, whose data is already open.
- A technology-neutral approach to regulation which allows banks to use technology (e.g. cloud, artificial intelligence) under the same conditions as technology companies and other competitors.
- The direct supervision of technology providers such as cloud computing services that provide critical infrastructure to the financial services sector.
- Discussions on Central Bank Digital Currencies should take into consideration the role the financial system plays in financing the economy.



## 2. Group selected data

### BALANCE SHEET (EUR million)

	2021	2020	% 2021 vs 2020	2019
Total assets	1,595,835	1,508,250	5.8	1,522,695
Loans and advances to customers	972,682	916,199	6.2	942,218
Customer deposits	918,344	849,310	8.1	824,365
Total funds <sup>A</sup>	1,153,656	1,056,127	9.2	1,050,765
Total equity	97,053	91,322	6.3	110,659

### INCOME STATEMENT (EUR million)

	2021	2020	% 2021 vs 2020 <sup>B</sup>	2019
Net interest income	33,370	31,994	4.3	35,283
Total income	46,404	44,279	4.8	49,229
Net operating income	24,989	23,149	7.9	25,949
Profit before tax	14,547	(2,076)	—	12,543
Profit attributable to the parent	8,124	(8,771)	—	6,515

### EPS, PROFITABILITY AND EFFICIENCY (%)

	2021	2020	% 2021 vs 2020	2019
EPS (euro) <sup>C</sup>	0.438	(0.538)	—	0.347
RoE	9.66	(9.80)		6.62
RoTE	11.96	1.95		11.44
RoA	0.62	(0.50)		0.54
RoRWA	1.69	(1.33)		1.33
Efficiency ratio <sup>D</sup>	46.2	47.0		47.0

### UNDERLYING INCOME STATEMENT <sup>D</sup> (EUR million)

	2021	2020	% 2021 vs 2020 <sup>E</sup>	2019
Net interest income	33,370	31,994	4.3	35,283
Total income	46,404	44,600	4.0	49,494
Net operating income	24,989	23,633	5.7	26,214
Profit before tax	15,260	9,674	57.7	14,929
Profit attributable to the parent	8,654	5,081	70.3	8,252

### UNDERLYING EPS AND PROFITABILITY <sup>D</sup> (%)

	2021	2020	% 2021 vs 2020	2019
Underlying EPS (euro) <sup>C</sup>	0.468	0.262	79.1	0.449
Underlying RoE	10.29	5.68		8.38
Underlying RoTE	12.73	7.44		11.79
Underlying RoA	0.65	0.40		0.65
Underlying RoRWA	1.78	1.06		1.61

**SOLVENCY (%)**

	2021	2020	2019
Fully-loaded CET1 ratio	12.12	11.89	11.41
Fully-loaded total capital ratio	16.41	15.73	14.78

**CREDIT QUALITY (%)**

	2021	2020	2019
Cost of credit	0.77	1.28	1.00
NPL ratio	3.16	3.21	3.32
Coverage ratio	71	76	68

**THE SHARE, MARKET CAPITALIZATION AND DIVIDEND**

	2021	2020	% 2021 vs 2020	2019
Number of shareholders	3,936,922	4,018,817	(2.0)	3,986,093
Shares (millions)	17,341	17,341	0.0	16,618
Share price (euro) <sup>C</sup>	2.941	2.538	15.9	3.575
Market capitalization (EUR million)	50,990	44,011	15.9	61,986
Tangible book value per share (euro) <sup>C</sup>	4.12	3.79		4.18
Price / Tangible book value per share (X)	0.71	0.67		0.86

**CUSTOMERS (thousands)**

	2021	2020	% 2021 vs 2020	2019
Total customers	152,862	148,256	3.1	144,795
Loyal customers <sup>F</sup>	25,448	22,838	11.4	21,556
Loyal retail customers	23,311	20,901	11.5	19,762
Loyal SME & corporate customers	2,137	1,938	10.3	1,794
Digital customers <sup>G</sup>	47,443	42,362	12.0	36,817
Digital sales / Total sales (%)	54	44		36

**OPERATING DATA**

	2021	2020	% 2021 vs 2020	2019
Number of employees	197,070	191,189	3.1	196,419
Number of branches	9,879	11,236	(12.1)	11,952

A. Includes customer deposits, mutual funds, pension funds and managed portfolios.

B. In constant euros: Net interest income: +7.1%; Total income: +7.7%; Net operating income: +12.0%; Profit before tax: -/+; Attributable profit: -/+

C. 2019 data adjusted for the capital increase in December 2020.

D. In addition to IFRS measures, we present non-IFRS measures including those which we refer to as underlying measures. These underlying measures allow in our view a better year-on-year comparability as they exclude items outside the ordinary course of business which are grouped in the 'net capital gains and provisions' line and are further detailed at the end of section 3.2 'Results' and in section 8 'Alternative Performance Measures' – of this chapter.

E. In constant euros: Net interest income: +7.1%; Total income: +6.9%; Net operating income: +9.4%; Profit before tax: +64.5%; Attributable profit: +77.8%.

F. Active customers who receive most of their financial services from the Group according to the commercial segment to which they belong. Various engaged customer levels have been defined taking profitability into account.

G. Every physical or legal person, that, being part of a commercial bank, has logged into its personal area of internet banking or mobile phone or both in the last 30 days.

# 3. Group financial performance

Santander follows IFRS to report its results (see [note 1.b](#) to the consolidated financial statements). While the results generally guide the overview of our financial situation in this consolidated directors' report, we also use non-IFRS measures and Alternative Performance Measures (APMs) to assess our performance (see section [8](#) 'Alternative Performance Measures' of this chapter). Thus, the main adjustments to our IFRS results consist of:

- Underlying results measures: we present what we call underlying results measures which, in our view, provide a better year-on-year comparison because they exclude items outside the ordinary course of business that are grouped in the net capital gains and provisions line, and are further detailed at the end of section [3.2](#) 'Results' of this chapter.

We also present underlying results by business area in section [4](#) 'Financial information by segment' in accordance with IFRS 8 and reconcile them in aggregate terms to our IFRS consolidated results in [note 51.c](#) to the consolidated financial statements.

- Local currency measures: we use certain non-IFRS financial indicators in local currency to assess the ongoing operating performance of our business. They include the results from our subsidiary banks outside the eurozone (excluding the exchange rate impact). Because changes in exchange rates have a non-operating impact on results, we believe evaluating performance in local currency provides management and investors an additional and meaningful assessment of performance. Section [8](#) 'Alternative Performance Measures' of this chapter explains how we exclude the exchange rate impact from financial measures in local currency.

We have rounded certain figures in this consolidated directors' report to present them more clearly. Accordingly, in certain instances, the amounts given in the totals columns and rows of tables may not match the total figure given for that column or row.

## 3.1 Situation of Santander

Santander is one of the largest banks in the eurozone. At the end of 2021, we had EUR 1,595,835 million in assets, EUR 1,153,656 million in total funds and a market capitalization of EUR 50,990 million.

Our purpose is to help people and businesses prosper in a way that is Simple, Personal and Fair. We do not merely meet our legal and regulatory obligations, but also aspire to exceed expectations. We focus on areas where our activity can have the greatest impact, supporting economic growth in an inclusive and sustainable way.

We engage in all types of typical banking activities, operations and services. Our track record, business model and strategic execution drive our aim to be the best open digital financial services platform, by acting responsibly and earning the lasting loyalty of our stakeholders (customers, shareholders, people and communities).

In 2021, with the global economy and society still feeling the effects of the covid-19 pandemic, we continued to play an active role in economic recovery and continued to support our 153 million customers and society.

Our priority for our 197,070 employees is to keep them safe and healthy in line with local government recommendations and based on three pillars: (i) development and implementation of health and safety protocols; (ii) remote working where necessary; and (iii) track and tracing (diagnostic tests, health apps and even vaccination centres in our corporate buildings for employees and the general public).

We are living in an increasingly digital world, and the covid-19 pandemic has spurred this transformation. As such, more than ever, our aim is to continue to offer our customers digital products and services that will meet their needs and support them in their digital learning. However, Santander continues to invest in ensuring access to financial services for our customers who are not digitally savvy, so that no one is left behind.

We interact with our customers through several channels. We have 9,879 branches and in recent years, have worked and invested to ensure our branches satisfy our customers' needs.

We have universal branches and specialist centres for certain customer segments, such as businesses and universities. We are also promoting new collaborative spaces with excellent digital capabilities (e.g. Work Café, SmartBank and Ágil branches). Additionally, our contact centres, which provide best-in-class service quality, continue to serve our customers.

In addition, and in order to achieve greater penetration, we have also signed agreements with other companies and organizations, such as Correos and MAPFRE in Spain, which allowed us to increase our physical points of service by more than 7,000.

Through this process, while we enhance our branches, we are continuously investing in our digital capabilities and technological infrastructure to optimize our product and service proposition, reducing our cost to serve while remaining among the top banks in customer satisfaction in almost all our core markets.

As a result, the number of digital and loyal customers as well as digital activity continued to increase. We have more than 25 million loyal customers (+11% year-on-year), and have grown in both individuals and companies. Digital customers rose 12% in the year, exceeding 47 million. Similarly, digital sales accounted for 54% of total sales (44% in 2020 and 36% in 2019).

The world is also increasingly aware of the different environmental, social and corporate governance factors (most commonly known as ESG). We focus on delivering profitable growth responsibly and creating value for our 3.9 million shareholders. For more details, see the '[Responsible banking](#)' chapter.

Our strategic priorities are essential to increasing our core businesses' profitability by offering simple, fair and innovative products.

Our strategy is based on three strategic initiatives: One Santander, Digital Consumer Bank and PagoNxt:

- **One Santander:** a global project encompassing the three regions where we operate, that aims to sustainably create a bank that is better for our customers and more profitable and efficient for our shareholders. It consists of enhanced customer service, an omni-channel strategy and a common operating model in each region, enabling us to market simpler products.
- **Digital Consumer Bank** is the leading European bank in consumer finance, created on the back of Santander Consumer Finance's (SCF) scale and leadership position in the consumer business in Europe and the business and technology of Openbank's digital platform.

Its objectives include simplifying the legal and operating structure, redefining the business platform (auto, consumer and retail) to strengthen our leadership positions or grow faster with a fully-digital approach and maintaining high profitability and efficiency.

- **PagoNxt** is our legally and operationally independent global payments platform. It aims to bring together all of Santander's most innovative payments assets under one roof.

Its strategy is to continue to expand our global platforms; consolidate our retail leadership positions with Getnet; deploy One Trade's international payments services; implementing the instant functionality of Payments Hub in various markets; and continue to gradually migrate our global payments services and financial inclusion platform (Superdigital) in Latin America.

Santander also has two transversal global businesses: Santander Corporate and Investment Banking (SCIB) and Wealth Management and Insurance (WM&I), that add value to our local businesses.

SCIB integrates global corporate banking businesses for large companies and financial institutions that require tailor-made services and value-added wholesale products adapted to their complexity and sophistication. It is a highly profitable business that has delivered sustainable returns throughout the cycle. Its long-term strategy is to become our clients' strategic advisor of choice. Its priorities are expanding the content and products it offers to further transform us into our clients' strategic advisors to make strategic decisions and transform their businesses according to today's demands for sustainability and digitalization. In addition, we aim to improve our position in the markets where we operate.

WM&I comprises our asset management, private banking and insurance businesses. It is very capital efficient, with significant growth potential and high returns. Our aim remains to become the best responsible wealth and protection manager in Europe and Latin America. That's why we continue to innovate and enhance our product proposition (especially in terms of ESG products). We are also increasing our sales through digital channels.

These strategic priorities, coupled with the pillars of our business model (scale, geographical presence and business diversification) will provide numerous opportunities for growth and greater profitability, while we continue to act responsibly and earn the trust of our stakeholders while generating more value for our shareholders.

## 3.2 Results

### Executive summary

#### Profit (2021 vs 2020)

Strong profit growth across regions and businesses

Attributable profit

**EUR 8,124 mn**

-EUR 8,771 mn in 2020

Underlying attrib. profit

**EUR 8,654 mn**

EUR 5,081 mn in 2020

#### Efficiency

The Group's efficiency ratio strengthened, mainly driven by Europe

Group

**46.2%**

-0.8 pp vs 2020

Europe

**51.0%**

-5.4 pp vs 2020

#### Performance (2021 vs 2020). In constant euros

Strong underlying profit performance backed by total income, cost control and lower provisions

Total income

**+6.9%**

Costs

**+4.1%**

Provisions

**-37.1%**

#### Profitability

Higher profitability compared to 2020

RoTE

**12.0%**

+10.0 pp

Underlying  
RoTE

**12.7%**

+5.3 pp

RoRWA

**1.69%**

+3.0 pp

Underlying  
RoRWA

**1.78%**

+0.7 pp

Changes vs 2020

### Condensed income statement

EUR million

	2021	2020	Change			2019
			Absolute	%	% excl. FX	
Net interest income	33,370	31,994	1,376	4.3	7.1	35,283
Net fee income (commission income minus commission expense)	10,502	10,015	487	4.9	8.1	11,779
Gains or losses on financial assets and liabilities and exchange differences (net)	1,563	2,187	(624)	(28.5)	(26.5)	1,531
Dividend income	513	391	122	31.2	31.5	533
Income from companies accounted for using the equity method	432	(96)	528	—	—	324
Other operating income / expenses	24	(212)	236	—	—	(221)
<b>Total income</b>	<b>46,404</b>	<b>44,279</b>	<b>2,125</b>	<b>4.8</b>	<b>7.7</b>	<b>49,229</b>
Operating expenses	(21,415)	(21,130)	(285)	1.3	3.1	(23,280)
Administrative expenses	(18,659)	(18,320)	(339)	1.9	3.6	(20,279)
Staff costs	(11,216)	(10,783)	(433)	4.0	5.8	(12,141)
Other general administrative expenses	(7,443)	(7,537)	94	(1.2)	0.5	(8,138)
Depreciation and amortization	(2,756)	(2,810)	54	(1.9)	(0.3)	(3,001)
Provisions or reversal of provisions	(2,814)	(2,378)	(436)	18.3	22.9	(3,490)
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)	(7,407)	(12,382)	4,975	(40.2)	(38.4)	(9,352)
Impairment of other assets (net)	(231)	(10,416)	10,185	(97.8)	(97.8)	(1,623)
Gain or losses on non-financial assets and investments (net)	53	114	(61)	(53.5)	(53.0)	1,291
Negative goodwill recognized in results	—	8	(8)	(100.0)	(100.0)	—
Gains or losses on non-current assets held for sale not classified as discontinued operations	(43)	(171)	128	(74.9)	(75.2)	(232)
<b>Profit or loss before tax from continuing operations</b>	<b>14,547</b>	<b>(2,076)</b>	<b>16,623</b>	<b>—</b>	<b>—</b>	<b>12,543</b>
Tax expense or income from continuing operations	(4,894)	(5,632)	738	(13.1)	(10.8)	(4,427)
<b>Profit from the period from continuing operations</b>	<b>9,653</b>	<b>(7,708)</b>	<b>17,361</b>	<b>—</b>	<b>—</b>	<b>8,116</b>
Profit or loss after tax from discontinued operations	—	—	—	—	—	—
<b>Profit for the period</b>	<b>9,653</b>	<b>(7,708)</b>	<b>17,361</b>	<b>—</b>	<b>—</b>	<b>8,116</b>
Profit attributable to non-controlling interests	(1,529)	(1,063)	(466)	43.8	47.7	(1,601)
<b>Profit attributable to the parent</b>	<b>8,124</b>	<b>(8,771)</b>	<b>16,895</b>	<b>—</b>	<b>—</b>	<b>6,515</b>

## Main income statement items

### Total income

Total income amounted to EUR 46,404 million in 2021, up 5% year-on-year. If the exchange rate impact is excluded, total income increased 8%, with growth in all regions and main country units, except Mexico, highlighting our geographical and business diversification. Net interest income and net fee income accounted for 95% of total income. By line:

### Net interest income

Net interest income amounted to EUR 33,370 million, 4% higher than in 2020.

The tables below show the average balances for each year, calculated as the monthly average over the period (which we believe should not differ materially from using daily balances), and generated interest.

They also include the average balances and average interest rates in 2021 and 2020, based on the domicile of the entities at which the relevant assets or liabilities are accounted for. Domestic balances relate to our entities domiciled in Spain, reflecting our domestic activity. International balances relate to those entities domiciled outside of Spain (reflecting our foreign activity), and are divided into mature markets (Europe, except Spain and Poland, and the US) and developing markets (South America, Mexico and Poland).

### Average balance sheet - assets and interest income

EUR million

Assets	2021			2020		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
<b>Cash and deposits on demand and loans and advances to central banks and credit institutions</b>	<b>272,567</b>	<b>2,682</b>	<b>0.98%</b>	<b>223,096</b>	<b>2,232</b>	<b>1.00%</b>
Domestic	113,703	809	0.71%	97,511	650	0.67%
International - Mature markets	111,358	542	0.49%	79,703	512	0.64%
International - Developing markets	47,506	1,331	2.80%	45,882	1,070	2.33%
of which						
Reverse repurchase agreements	38,236	707	1.85%	44,989	483	1.07%
Domestic	23,390	29	0.12%	31,050	47	0.15%
International - Mature markets	5,101	15	0.29%	4,791	49	1.02%
International - Developing markets	9,745	663	6.80%	9,148	387	4.23%
<b>Loans and advances to customers</b>	<b>943,071</b>	<b>38,649</b>	<b>4.10%</b>	<b>930,563</b>	<b>38,788</b>	<b>4.17%</b>
Domestic	254,232	4,799	1.89%	251,536	4,913	1.95%
International - Mature markets	513,910	16,090	3.13%	509,016	17,136	3.37%
International - Developing markets	174,929	17,760	10.15%	170,011	16,739	9.85%
of which						
Reverse repurchase agreements	36,660	60	0.16%	46,207	105	0.23%
Domestic	9,521	7	0.07%	10,691	5	0.05%
International - Mature markets	25,622	18	0.07%	34,295	65	0.19%
International - Developing markets	1,517	35	2.31%	1,221	35	2.87%
<b>Debt securities</b>	<b>168,834</b>	<b>5,724</b>	<b>3.39%</b>	<b>172,940</b>	<b>5,022</b>	<b>2.90%</b>
Domestic	42,740	313	0.73%	46,390	341	0.74%
International - Mature markets	40,579	446	1.10%	49,667	619	1.25%
International - Developing markets	85,515	4,965	5.81%	76,883	4,062	5.28%
<b>Hedging income</b>		<b>(723)</b>			<b>(343)</b>	
Domestic		20			21	
International - Mature markets		(91)			(116)	
International - Developing markets		(652)			(248)	
<b>Other interest</b>		<b>131</b>			<b>42</b>	
Domestic		(29)			10	
International - Mature markets		13			21	
International - Developing markets		147			11	
<b>Total interest-earning assets</b>	<b>1,384,472</b>	<b>46,463</b>	<b>3.36%</b>	<b>1,326,599</b>	<b>45,741</b>	<b>3.45%</b>
Domestic	410,675	5,912	1.44%	395,437	5,935	1.50%
International - Mature markets	665,847	17,000	2.55%	638,386	18,172	2.85%
International - Developing markets	307,950	23,551	7.65%	292,776	21,634	7.39%
<b>Other assets</b>	<b>179,427</b>			<b>210,953</b>		
<b>Assets from discontinued operations</b>	<b>—</b>			<b>—</b>		
<b>Average total assets</b>	<b>1,563,899</b>	<b>46,463</b>		<b>1,537,552</b>	<b>45,741</b>	

The average balance of interest-earning assets in 2021 was 4% higher than in 2020. Domestic and mature markets grew 4% (mainly in cash and demand deposits and in loans and advances to central banks and credit institutions) and developing markets increased 5% owing to volume growth in local currency in all country units.

The average return on interest-earning assets decreased from 3.45% in 2020 to 3.36% in 2021, with decreases in domestic (-6 bps) and mature international markets (-30 bps) while developing international markets increased 26 bps. By balance sheet item, cash, demand deposits and loans and advances to central banks and credit institutions fell 2 bps; and loans and advances to customers -7 bps, primarily driven by interest rates even lower than 2020. Debt securities rose 49 bps supported by developing markets.

The average balance of interest-bearing liabilities in 2021 was 4% higher year-on-year, also spurred by overall growth in the three markets (domestic: +6%; mature international: +2%; and developing international: +4%), boosted by customer deposits and deposits from central banks and credit institutions.

The average cost of interest-bearing liabilities fell 9 bps to 0.98% owing to the domestic (-8 bps) and mature international (-33 bps) markets while developing international markets were up 44 bps. By balance sheet item, there were reductions in central banks and credit institutions deposits (-27 bps); customer deposits (-6 bps); and marketable debt securities (-1 bp).

The change in interest income/(expense) shown in the table below was calculated as follows:

- To obtain the change in volumes we apply the interest rate of the previous period to the difference between the average balances from the current and previous periods.
- To obtain the change in interest rate we apply the difference between the rates from the current and previous periods to the average balance from the previous year.

Interest income grew in the year driven by higher volumes, as interest rates had a negative impact. Interest expense dropped due to lower interest rates.

As a result, net interest income increased 4% favoured by both volumes and the interest rate effect, as shown in the table below summarizing the performance of net interest income by market. Excluding the exchange rate impact, growth was 7%.

This 7% increase in constant euros was due to higher credit and deposit volumes and the lower cost of deposits, partially offset by lower revenue due to even lower average interest rates in most of our markets.

By country, and at constant exchange rates, net interest income in the UK increased 22% due to the liability cost management and greater volumes (mainly in mortgages), +13% in Brazil due to higher volumes, +10% in Chile on the back of its margin and inflation management, +4% in Poland due to the pick up in interest rates in recent months, while in Spain there was a slight increase (+1%), because of its spread management.

In the US, net interest income decreased slightly, affected by disposals (Puerto Rico and the Bluestem portfolio). Excluding the impact of these disposals, net interest income would have increased 5%. In Mexico, we saw a 2% decrease due to lower average interest rates and ALCO portfolio sales in 2020 and there were also declines in Portugal, driven by lower interest rates in 2021.



## Average balance sheet - liabilities and interest expense

EUR million

Liabilities and stockholders' equity	2021			2020		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
<b>Deposits from central banks and credit institutions <sup>A</sup></b>	<b>197,997</b>	<b>1,750</b>	<b>0.88%</b>	<b>187,128</b>	<b>2,147</b>	<b>1.15%</b>
Domestic	97,257	376	0.39%	90,747	394	0.43%
International - Mature markets	61,999	227	0.37%	61,877	445	0.72%
International - Developing markets	38,741	1,147	2.96%	34,504	1,308	3.79%
of which						
Repurchase agreements	28,763	703	2.44%	34,160	759	2.22%
Domestic	12,316	18	0.15%	13,765	30	0.22%
International - Mature markets	1,252	8	0.64%	6,377	29	0.45%
International - Developing markets	15,195	677	4.46%	14,018	700	4.99%
<b>Customer deposits</b>	<b>889,041</b>	<b>5,452</b>	<b>0.61%</b>	<b>837,397</b>	<b>5,599</b>	<b>0.67%</b>
Domestic	287,525	282	0.10%	269,979	332	0.12%
International - Mature markets	410,695	706	0.17%	385,956	1,662	0.43%
International - Developing markets	190,821	4,464	2.34%	181,462	3,605	1.99%
of which						
Repurchase agreements	41,475	520	1.25%	38,641	432	1.12%
Domestic	7,918	—	0.00%	4,116	1	0.02%
International - Mature markets	19,311	6	0.03%	18,063	44	0.24%
International - Developing markets	14,246	514	3.61%	16,462	387	2.35%
<b>Marketable debt securities <sup>B</sup></b>	<b>234,887</b>	<b>4,838</b>	<b>2.06%</b>	<b>247,284</b>	<b>5,119</b>	<b>2.07%</b>
Domestic	104,602	1,538	1.47%	99,466	1,539	1.55%
International - Mature markets	102,330	1,670	1.63%	116,411	2,395	2.06%
International - Developing markets	27,955	1,630	5.83%	31,407	1,185	3.77%
of which						
Commercial paper	17,794	135	0.76%	19,825	276	1.39%
Domestic	12,247	22	0.18%	13,813	87	0.63%
International - Mature markets	4,582	59	1.29%	4,729	134	2.83%
International - Developing markets	965	54	5.60%	1,283	55	4.29%
<b>Other interest-bearing liabilities</b>	<b>7,944</b>	<b>216</b>	<b>2.72%</b>	<b>10,650</b>	<b>281</b>	<b>2.64%</b>
Domestic	4,146	70	1.69%	6,331	117	1.85%
International - Mature markets	1,948	30	1.54%	2,245	28	1.25%
International - Developing markets	1,850	116	6.27%	2,074	136	6.56%
<b>Hedging expenses</b>		<b>(368)</b>			<b>(294)</b>	
Domestic		(153)			(37)	
International - Mature markets		(147)			(205)	
International - Developing markets		(68)			(52)	
<b>Other interest</b>		<b>1,205</b>			<b>895</b>	
Domestic		306			313	
International - Mature markets		109			95	
International - Developing markets		790			487	
<b>Total interest-bearing liabilities</b>	<b>1,329,869</b>	<b>13,093</b>	<b>0.98%</b>	<b>1,282,459</b>	<b>13,747</b>	<b>1.07%</b>
Domestic	493,530	2,419	0.49%	466,523	2,658	0.57%
International - Mature markets	576,972	2,595	0.45%	566,489	4,420	0.78%
International - Developing markets	259,367	8,079	3.11%	249,447	6,669	2.67%
<b>Other liabilities</b>	<b>139,757</b>			<b>155,714</b>		
<b>Non-controlling interests</b>	<b>10,140</b>			<b>9,920</b>		
<b>Shareholders' equity</b>	<b>84,133</b>			<b>89,459</b>		
<b>Liabilities from discontinued operations</b>	<b>—</b>			<b>—</b>		
<b>Average total liabilities and equity</b>	<b>1,563,899</b>	<b>13,093</b>		<b>1,537,552</b>	<b>13,747</b>	

A. Interest includes expenses from assets reported in "Cash and deposits on demand and loans and advances to central banks and credit institutions" related to liquidity placed at the European Central Bank.

B. Does not include contingently convertible preference shares and perpetual subordinated notes because they do not accrue interest. We include them under 'Other liabilities'.

## Volume and profitability analysis

EUR million

	2021 vs. 2020		
	Increase (decrease) due to changes in		
	Volume	Rate	Net change
<b>Interest income</b>			
<b>Cash and deposits on demand and loans and advances to central banks and credit institutions</b>	<b>325</b>	<b>125</b>	<b>450</b>
Domestic	113	46	159
International - Mature markets	173	(143)	30
International - Developing markets	39	222	261
<i>of which</i>			
Reverse repurchase agreements	20	204	224
Domestic	(10)	(8)	(18)
International - Mature markets	3	(37)	(34)
International - Developing markets	27	249	276
<b>Loans and advances to customers</b>	<b>706</b>	<b>(845)</b>	<b>(139)</b>
Domestic	52	(166)	(114)
International - Mature markets	163	(1,209)	(1,046)
International - Developing markets	491	530	1,021
<i>of which</i>			
Reverse repurchase agreements	(6)	(39)	(45)
Domestic	(1)	3	2
International - Mature markets	(13)	(34)	(47)
International - Developing markets	8	(8)	—
<b>Debt securities</b>	<b>348</b>	<b>354</b>	<b>702</b>
Domestic	(27)	(1)	(28)
International - Mature markets	(105)	(68)	(173)
International - Developing markets	480	423	903
<b>Hedging income</b>	<b>(380)</b>	<b>—</b>	<b>(380)</b>
Domestic	(1)	—	(1)
International - Mature markets	25	—	25
International - Developing markets	(404)	—	(404)
<b>Other interest</b>	<b>89</b>	<b>—</b>	<b>89</b>
Domestic	(39)	—	(39)
International - Mature markets	(8)	—	(8)
International - Developing markets	136	—	136
<b>Total interest-earning assets</b>	<b>1,088</b>	<b>(366)</b>	<b>722</b>
Domestic	98	(121)	(23)
International - Mature markets	248	(1,420)	(1,172)
International - Developing markets	742	1,175	1,917

## Volume and cost analysis

EUR million

	2021 vs. 2020		
	Increase (decrease) due to changes in		
	Volume	Rate	Net change
<b>Interest expense</b>			
<b>Deposits from central banks and credit institutions</b>	<b>176</b>	<b>(573)</b>	<b>(397)</b>
Domestic	27	(45)	(18)
International - Mature markets	1	(219)	(218)
International - Developing markets	148	(309)	(161)
<i>of which</i>			
Repurchase agreements	23	(79)	(56)
Domestic	(3)	(9)	(12)
International - Mature markets	(30)	9	(21)
International - Developing markets	56	(79)	(23)
<b>Customer deposits</b>	<b>314</b>	<b>(461)</b>	<b>(147)</b>
Domestic	21	(71)	(50)
International - Mature markets	100	(1,056)	(956)
International - Developing markets	193	666	859
<i>of which</i>			
Repurchase agreements	(55)	143	88
Domestic	—	(1)	(1)
International - Mature markets	3	(41)	(38)
International - Developing markets	(58)	185	127
<b>Marketable debt securities</b>	<b>(333)</b>	<b>52</b>	<b>(281)</b>
Domestic	77	(78)	(1)
International - Mature markets	(268)	(457)	(725)
International - Developing markets	(142)	587	445
<i>of which</i>			
Commercial paper	(28)	(113)	(141)
Domestic	(9)	(56)	(65)
International - Mature markets	(4)	(71)	(75)
International - Developing markets	(15)	14	(1)
<b>Other interest-bearing liabilities</b>	<b>(56)</b>	<b>(9)</b>	<b>(65)</b>
Domestic	(38)	(9)	(47)
International - Mature markets	(4)	6	2
International - Developing markets	(14)	(6)	(20)
<b>Hedging expenses</b>	<b>(74)</b>	<b>—</b>	<b>(74)</b>
Domestic	(116)	—	(116)
International - Mature markets	58	—	58
International - Developing markets	(16)	—	(16)
<b>Other interest</b>	<b>310</b>	<b>—</b>	<b>310</b>
Domestic	(7)	—	(7)
International - Mature markets	14	—	14
International - Developing markets	303	—	303
<b>Total interest-bearing liabilities</b>	<b>337</b>	<b>(991)</b>	<b>(654)</b>
Domestic	(36)	(203)	(239)
International - Mature markets	(99)	(1,726)	(1,825)
International - Developing markets	472	938	1,410

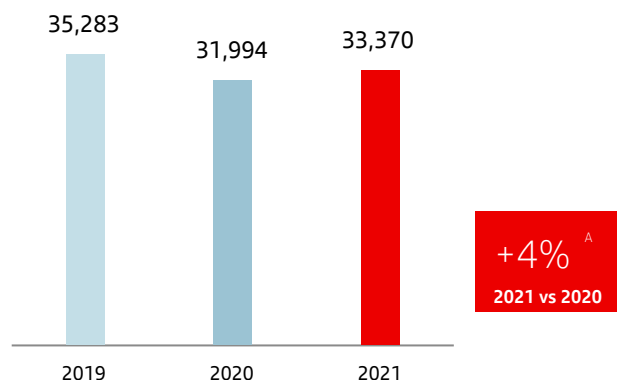
**Net interest income. Volume, profitability and cost analysis summary**

EUR million

	2021 vs. 2020		
	Increase (decrease) due to changes in		
	Volume	Rate	Net change
<b>Interest income</b>	<b>1,088</b>	<b>(366)</b>	<b>722</b>
Domestic	98	(121)	(23)
International - Mature markets	248	(1,420)	(1,172)
International - Developing markets	742	1,175	1,917
<b>Interest expense</b>	<b>337</b>	<b>(991)</b>	<b>(654)</b>
Domestic	(36)	(203)	(239)
International - Mature markets	(99)	(1,726)	(1,825)
International - Developing markets	472	938	1,410
<b>Net interest income</b>	<b>751</b>	<b>625</b>	<b>1,376</b>
Domestic	134	82	216
International - Mature markets	347	306	653
International - Developing markets	270	237	507

**Net interest income**

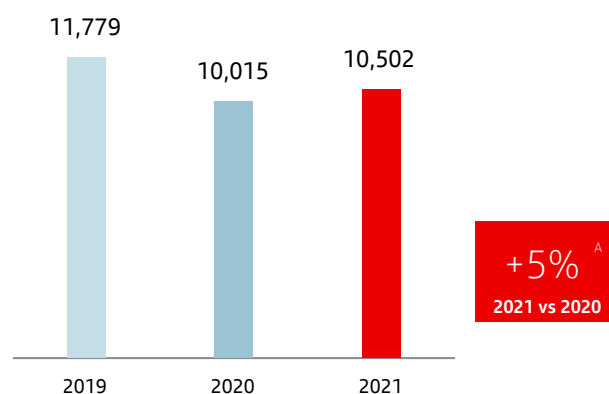
EUR million



A. Excluding exchange rate impact: +7%.

**Net fee income**

EUR million



A. Excluding exchange rate impact: +8%.

**Net fee income**

EUR million

	Change					
	2021	2020	Absolute	%	% excl. FX	2019
Asset management business, funds and insurance	3,649	3,416	232	6.8	9.3	3,815
Credit and debit cards	1,782	1,737	45	2.6	6.8	2,242
Securities and custody services	1,035	951	84	8.9	12.6	931
Account management and availability fees	1,850	1,649	201	12.2	16.0	1,675
Cheques and payment orders	642	594	48	8.1	12.3	633
Foreign exchange	522	500	22	4.4	8.9	612
Charges for past-due/unpaid balances and guarantees	266	295	(29)	(9.9)	(6.8)	522
Bill discounting	199	253	(54)	(21.3)	(14.5)	316
Other	557	620	(63)	(10.1)	(8.5)	1,033
<b>Net fee income</b>	<b>10,502</b>	<b>10,015</b>	<b>487</b>	<b>4.9</b>	<b>8.1</b>	<b>11,779</b>

### Net fee income

Santander's net fee income increased 5% compared to 2020, reaching EUR 10,502 million. Excluding the exchange rate impact, it was 8% higher, showing recovery quarter after quarter from the second quarter lows in 2020, driven by the rebound in activity.

Broad-based increases, notably fees relating to card turnover and points of sale (+26% and +38%, respectively). Fees from our asset management and insurance business as well as SCIB increased at double digits, demonstrating the strength of fees from value-added products and services.

Specifically, Santander Corporate & Investment Banking increased 16% on the back of the strong growth in markets and investment banking results. Wealth Management & Insurance grew 12% including fees ceded to the branch network. Together, both businesses accounted for close to 50% of the Group's total (SCIB: 17%; WM&I: 32%).

By region, fees in Europe were up 9%, supported by growth in all countries except the UK (mainly due to regulatory changes in April 2020 that affect overdrafts). In North America, they decreased 1%, impacted by the disposals in the US; without them, growth in the region and the US would have been 6%, the same as in Mexico. Net fee income in South America was up 13% driven by all countries.

### Gains or losses on financial assets and liabilities and exchange differences (net)

Gains or losses on financial assets and liabilities and exchange differences (net) accounted for 3% of total income. They were 29% lower than the previous year at EUR 1,563 million (-27% excluding the exchange rate impact) mainly due to decreases in Spain (-29%), Mexico (-47%), Brazil (-12%), Chile (-25%) and the Corporate Centre. This was due to the positive impact from FX hedging, portfolio sales and higher market volatility in 2020.

Gains and losses on financial assets and liabilities stem from valuing trading portfolio and marked-to-market derivative instruments, which include spot market foreign exchange transactions, sales of investment securities and liquidation of our hedging and other derivative positions.

For more details, see [note 43](#) to the consolidated financial statements.

Exchange rate differences primarily show gains and losses from foreign exchange and the differences that arise from converting monetary items in foreign currencies to the functional currency, and from selling non-monetary assets denominated in foreign currency at the time of their disposal. Because Santander manages currency exposures with derivative instruments, the changes in this line item should be analysed together with Gains/(losses) on financial assets and liabilities.

For more details, see [note 44](#) to the consolidated financial statements.

### Dividend income

Dividend income was EUR 513 million, 31% higher than in 2020 (+32% excluding the exchange rate effect), recovering some income that was affected by the decrease, delay or cancellation of dividend payments due to the pandemic (especially in Europe).

### Income from companies accounted for by the equity method

The income from companies accounted for by the equity method climbed to EUR 432 million in 2021 (in contrast to -EUR 96 million in 2020) owing to the higher contribution from the Group's associated entities.

### Other operating income/expenses

Other operating income/expenses recorded a gain of EUR 24 million compared to a loss of EUR 212 million in 2020 due to higher results obtained in insurance and leasing. In 2021, contributions made to the Single Resolution Fund (SRF) in the second quarter and to the Deposit Guarantee Fund (DGF) in the fourth remained stable.

For more details, see [note 45](#) to the consolidated financial statements.

## Operating expenses

EUR million

	2021	2020	Change			2019
			Absolute	%	% excl. FX	
Staff costs	11,216	10,783	433	4.0	5.8	12,141
Other administrative expenses	7,443	7,537	(94)	(1.2)	0.5	8,138
Information technology	2,182	2,075	107	5.2	4.9	2,161
Communications	401	473	(72)	(15.2)	(12.2)	518
Advertising	510	517	(7)	(1.4)	(1.2)	685
Buildings and premises	699	725	(26)	(3.6)	(3.1)	859
Printed and office material	90	100	(10)	(10.0)	0.0	116
Taxes (other than tax on profits)	558	534	24	4.5	3.6	522
Other expenses	3,003	2,980	23	0.8	0.7	3,277
<b>Administrative expenses</b>	<b>18,659</b>	<b>18,320</b>	<b>339</b>	<b>1.9</b>	<b>3.6</b>	<b>20,279</b>
Depreciation and amortization	2,756	2,810	(54)	(1.9)	(0.3)	3,001
<b>Operating expenses</b>	<b>21,415</b>	<b>21,130</b>	<b>285</b>	<b>1.3</b>	<b>3.1</b>	<b>23,280</b>

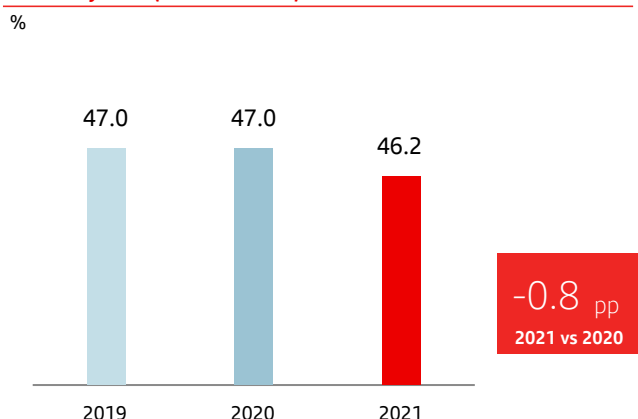
## Operating expenses

Operating expenses increased 1% from 2020 to EUR 21,415 million. Excluding the exchange rate impact, costs rose 3% due to the general increase in inflation in 2021 and investments in technological and digital developments, including PagoNxt. However, in real terms (excluding the impact of inflation), however, costs fell 2%.

With an efficiency ratio of 46.2% - a 0.8 pp improvement on 2020 and 2019 (mainly driven by Europe) - we remained one of the most efficient global banks in the world.

We continue to make structural changes to reduce costs while improving customer satisfaction. Some businesses are migrating to regional platforms and simplifying products and services.

### Efficiency ratio (cost to income)



The trends by region and market in constant euros were as follows:

- In Europe, costs were down 0.2% in nominal terms, -3% in real terms (excluding average inflation), as we continued with our cost reduction plan. In real terms, costs in Spain were down 11%, -4% in the UK and -6% in Portugal while costs in Poland increased 3% due to greater personnel costs. As a result, the region's efficiency ratio stood at 51.0%, a year-on-year decrease of 5.4 pp.
- In North America, costs increased 8%. In real terms, there was a net increase of 3% due to investments in digitalization, the 3% rise in the US and the 2% decrease in Mexico. The efficiency ratio was 45.2%.

- Soaring inflation in Argentina significantly distorted costs in South America (+8%). In real terms, costs declined by 5% in the region: Brazil, -8%, Chile, 0% and Argentina, -5%. The efficiency ratio in South America was 35.0%, a 1 pp decline compared to 2020.
- Lastly, Digital Consumer Bank's costs were 3% higher mainly due to perimeter effects and digital transformation investments. In real terms, they were flat and efficiency was stable at 45.0%.

### Provisions or reversal of provisions

Provisions (net of provisions reversals) amounted to EUR 2,814 million (EUR 2,378 million in 2020). They include the charges for restructuring costs and charges related to Swiss franc mortgages in Poland and Digital Consumer Bank (EUR 319 million in 2021).

For more details, see [note 25](#) to the consolidated financial statements.

### Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (net) was EUR 7,407 million (EUR 12,382 million in 2020), a 40% decrease year-on-year in euros and -38% in constant euros.

This decrease was mainly due to the elevated level of additional loan-loss provisions recognized in 2020 based on the IFRS 9 forward-looking view as well as the collective and individual assessments to reflect expected credit losses arising from covid-19. In 2021, approximately EUR 750 million of those provisions were released.

For more details, see section [3 'Credit risk'](#) in the 'Risk management and compliance' chapter.

### Impairment of other assets (net)

The impairment of other assets (net) stood at -EUR 231 million, compared to -EUR 10,416 million in 2020 due a -EUR 10,100 million adjustment to the valuation of goodwill.

### Gains or losses on non-financial assets and investments (net)

Net gains on non-financial assets and investments were EUR 53 million in 2021 (EUR 114 million in 2020).

For more details, see [note 48](#) to the consolidated financial statements.

### Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

EUR million

	2021	2020	2019
Financial assets at fair value through other comprehensive income	19	19	12
Financial assets at amortized cost	7,388	12,363	9,340
<b>Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains and losses from changes</b>	<b>7,407</b>	<b>12,382</b>	<b>9,352</b>

**Impairment on other assets (net)**

EUR million

	2021	2020	2019
Impairment of investments in subsidiaries, joint ventures and associates, net	—	—	—
Impairment on non-financial assets, net	231	10,416	1,623
Tangible assets	150	174	45
Intangible assets	71	10,242	1,564
Others	10	—	14
Impairment on other assets (net)	231	10,416	1,623

**Negative goodwill recognized in results**

No negative goodwill was recorded in 2021 (EUR 8 million in 2020).

**Gains or losses on non-current assets held for sale not classified as discontinued operations**

This item mainly includes impairment of foreclosed assets recorded and the sale of properties acquired upon foreclosure. It totalled -EUR 43 million in 2021 (-EUR 171 million in 2020).

**Profit or loss before tax from continuing operations**

Profit before tax was EUR 14,547 million in 2021, compared to -EUR 2,076 million in 2020 (affected by the adjustment in the valuation of goodwill). The results in 2021 were supported by higher income and lower provisions.

**Tax expense or income from continuing operations**

Total income tax was EUR 4,894 million (EUR 5,632 million in 2020, which included the -EUR 2,500 million valuation adjustment to deferred tax assets).

**Profit attributable to non-controlling interests**

Profit attributable to non-controlling interests increased 44% year-on-year (+48% excluding the exchange rate impact) to EUR 1,529 million, due to profit growth in countries with the highest minority interest (mainly the US).

For more details, see [note 28](#) to the consolidated financial statements.

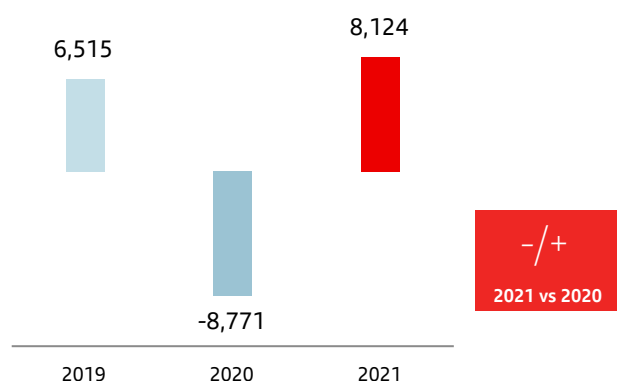
**Profit attributable to the parent**

Profit attributable to the parent amounted to EUR 8,124 million in 2021 (-EUR 8,771 million in 2020).

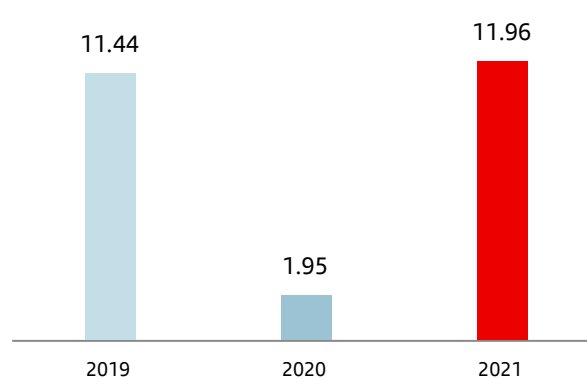
RoTE stood at 11.96% (1.95% in 2020), RoRWA at 1.69% (-1.33% in 2020) and earnings per share at EUR 0.438 (-EUR 0.538 in 2020), all three showing an improvement on 2019 as well.

**Profit attributable to the parent**

EUR million

**RoTE**

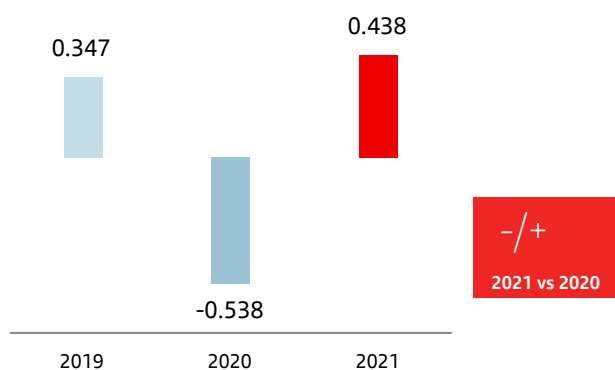
%





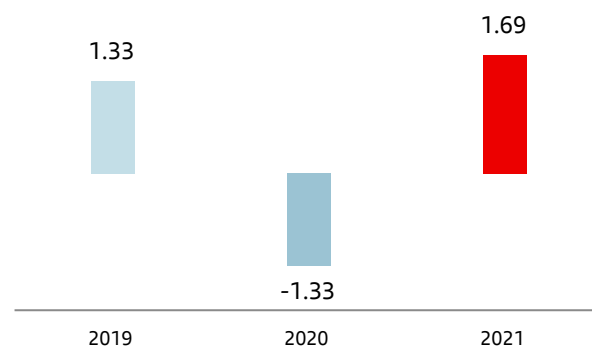
Earnings per share<sup>A</sup>

EUR



## RoRWA

%



A. 2019 data adjusted for the capital increase in December 2020.

Below is the condensed income statement adjusted to items beyond the ordinary course of business (included under the net capital gains and provisions line) as described in [note 51.c](#) of the consolidated financial statements, where our segments' aggregate underlying consolidated results are reconciled to the statutory consolidated results.

## Condensed underlying income statement

EUR million

	2021	2020	Change			2019
			Absolute	%	% excl. FX	
Net interest income	33,370	31,994	1,376	4.3	7.1	35,283
Net fee income	10,502	10,015	487	4.9	8.1	11,779
Gains (losses) on financial transactions and exchange differences	1,563	2,187	(624)	(28.5)	(26.5)	1,531
Other operating income	969	404	565	139.9	142.0	901
<b>Total income</b>	<b>46,404</b>	<b>44,600</b>	<b>1,804</b>	<b>4.0</b>	<b>6.9</b>	<b>49,494</b>
Administrative expenses and amortizations	(21,415)	(20,967)	(448)	2.1	4.1	(23,280)
<b>Net operating income</b>	<b>24,989</b>	<b>23,633</b>	<b>1,356</b>	<b>5.7</b>	<b>9.4</b>	<b>26,214</b>
Net loan-loss provisions	(7,436)	(12,173)	4,737	(38.9)	(37.1)	(9,321)
Other gains (losses) and provisions	(2,293)	(1,786)	(507)	28.4	30.7	(1,964)
<b>Profit before tax</b>	<b>15,260</b>	<b>9,674</b>	<b>5,586</b>	<b>57.7</b>	<b>64.5</b>	<b>14,929</b>
Tax on profit	(5,076)	(3,516)	(1,560)	44.4	51.2	(5,103)
<b>Profit from continuing operations</b>	<b>10,184</b>	<b>6,158</b>	<b>4,026</b>	<b>65.4</b>	<b>72.1</b>	<b>9,826</b>
Net profit from discontinued operations	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>10,184</b>	<b>6,158</b>	<b>4,026</b>	<b>65.4</b>	<b>72.1</b>	<b>9,826</b>
Non-controlling interests	(1,530)	(1,077)	(453)	42.1	45.9	(1,574)
Net capital gains and provisions	(530)	(13,852)	13,322	(96.2)	(96.2)	(1,737)
<b>Profit attributable to the parent</b>	<b>8,124</b>	<b>(8,771)</b>	<b>16,895</b>	<b>—</b>	<b>—</b>	<b>6,515</b>
<b>Underlying profit attributable to the parent<sup>A</sup></b>	<b>8,654</b>	<b>5,081</b>	<b>3,573</b>	<b>70.3</b>	<b>77.8</b>	<b>8,252</b>

A. Excluding net capital gains and provisions.

### Underlying profit attributable to the parent

Profit attributable to the parent in 2021 and 2020 was affected by the following results that are outside the ordinary course of business and distort the year-on-year comparison:

- In 2021, -EUR 530 million for restructuring costs, fully recorded in Q1'21, mainly in the UK and Portugal.
- In 2020, -EUR 13,852 million from the valuation adjustment of goodwill ascribed to various Group entities in the amount of -EUR 10,100 million, the valuation adjustment to deferred tax assets of the Spanish consolidated fiscal group (-EUR 2,500 million) and -EUR 1,252 million in restructuring costs (mainly in Spain and the UK).

For more details, see [note 51.c](#) to the consolidated financial statements.

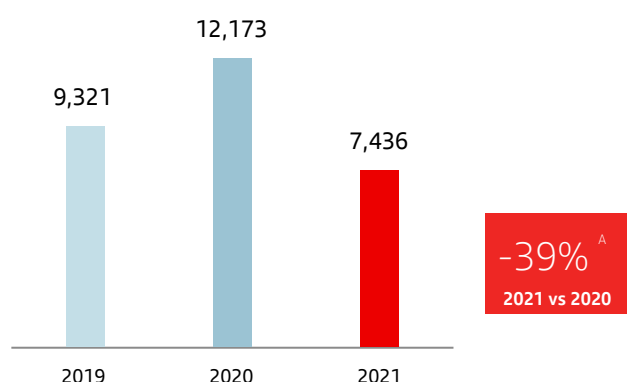
Excluding these results from the income statement lines where they are recorded, and incorporating them separately in the net capital gains and provisions line, **the adjusted or underlying profit attributable to the parent was EUR 8,654 million in 2021 (greater than the EUR 5,081 million 2020 and EUR 8,252 million in 2019).**

The Group's cost of credit was 0.77%, a significant improvement compared to 2020 and 2019 (1.28% and 1.00%, respectively).

This performance was better than expected in light of the lower provisions in most of our markets in the year, particularly in the US, the UK, Digital Consumer Bank and Chile, together with the release of provisions recognized in 2020 at the end of 2021.

### Net loan-loss provisions

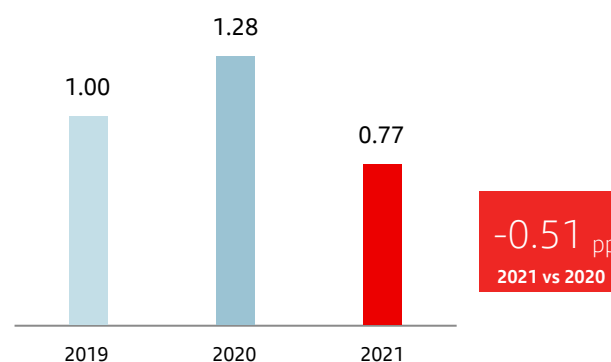
EUR million



A. Excluding exchange rate impact: -37%.

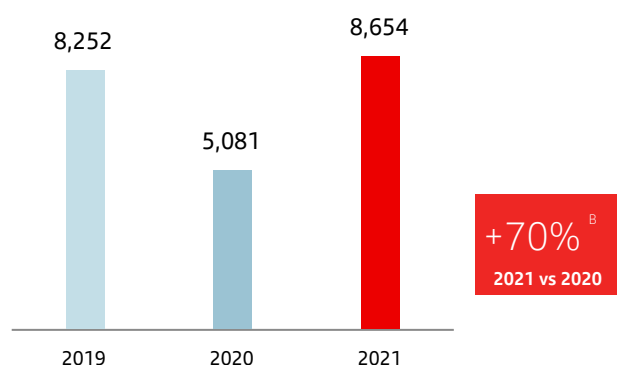
### Cost of credit

%



### Underlying profit attributable to the parent<sup>A</sup>

EUR million

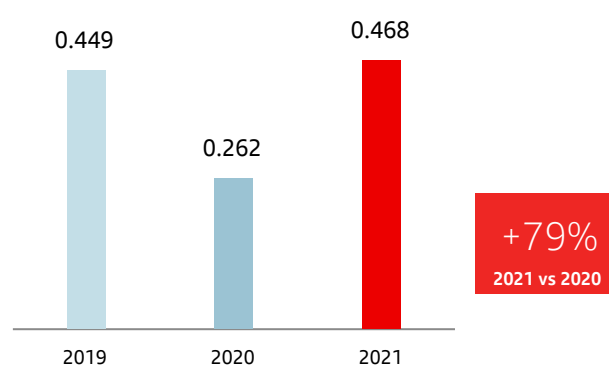


A. Excluding net capital gains and provisions.

B. Excluding exchange rate impact: +78%.

### Underlying earnings per share<sup>A B</sup>

EUR



A. Excluding net capital gains and provisions.

B. 2019 data adjusted for the capital increase in December 2020.

Before recording loan-loss provisions, Santander's net operating income<sup>1</sup> (i.e. total income less operating expenses) was EUR 24,989 million, 6% higher year-on-year, +9% excluding the FX impact, as follows:

By line:

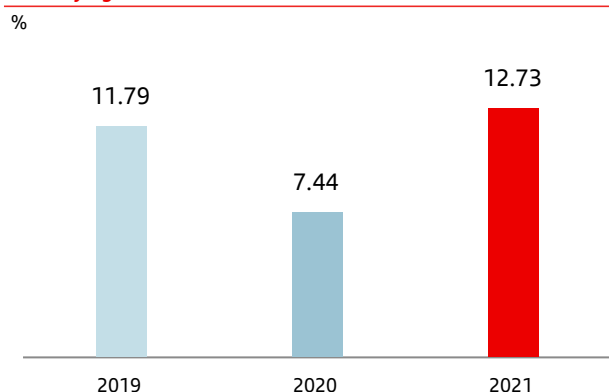
- Total income increased mainly due to net interest income (+7%) and net fee income (+8%) which continued to rebound.
- Higher inflation drove costs up. In real terms, they were down (except in Poland and the US).

By region:

- In Europe, net operating income increased 24% with better performance in all markets.
- In North America, net operating income fell 4%. It increased 1% in the US and was down by 9% in Mexico. Excluding the aforementioned disposals, net operating income was 11% higher in the US and +2% the region.
- In South America, we grew 13% with increases of 14% in Brazil, 10% in Chile and 34% in Argentina.
- In Digital Consumer Bank, net operating income increased by 3%.

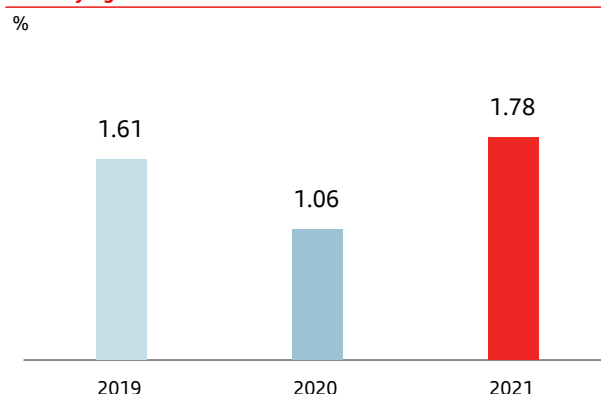
In 2021, the Santander's underlying RoTE was 12.73% (7.44% in 2020), underlying RoRWA was 1.78% (1.06% in 2020) and underlying earnings per share was EUR 0.468 (EUR 0.262 in 2020), all three showing an improvement on 2019 as well.

#### Underlying RoTE<sup>A</sup>



A. Excluding net capital gains and provisions.

#### Underlying RoRWA<sup>A</sup>



A. Excluding net capital gains and provisions.

1. As described in [note 51.c](#) of the consolidated financial statements, net operating income is used for the Group's internal operating and management reporting purposes but is not a line item in the statutory consolidated income statement.

### 3.3 Balance sheet

#### Balance sheet

EUR million

Assets	2021	2020	Change		2019
			Absolute	%	
Cash, cash balances at central banks and other deposits on demand	210,689	153,839	56,850	37.0	101,067
Financial assets held for trading	116,953	114,945	2,008	1.7	108,230
Non-trading financial assets mandatorily at fair value through profit or loss	5,536	4,486	1,050	23.4	4,911
Financial assets designated at fair value through profit or loss	15,957	48,717	(32,760)	(67.2)	62,069
Financial assets at fair value through other comprehensive income	108,038	120,953	(12,915)	(10.7)	125,708
Financial assets at amortized cost	1,037,898	958,378	79,520	8.3	995,482
Hedging derivatives	4,761	8,325	(3,564)	(42.8)	7,216
Changes in the fair value of hedged items in portfolio hedges of interest risk	410	1,980	(1,570)	(79.3)	1,702
Investments	7,525	7,622	(97)	(1.3)	8,772
Assets under insurance or reinsurance contracts	283	261	22	8.4	292
Tangible assets	33,321	32,735	586	1.8	35,235
Intangible assets	16,584	15,908	676	4.2	27,687
Tax assets	25,196	24,586	610	2.5	29,585
Other assets	8,595	11,070	(2,475)	(22.4)	10,138
Non-current assets held for sale	4,089	4,445	(356)	(8.0)	4,601
<b>Total assets</b>	<b>1,595,835</b>	<b>1,508,250</b>	<b>87,585</b>	<b>5.8</b>	<b>1,522,695</b>
<b>Liabilities and equity</b>					
Financial liabilities held for trading	79,469	81,167	(1,698)	(2.1)	77,139
Financial liabilities designated at fair value through profit or loss	32,733	48,038	(15,305)	(31.9)	60,995
Financial liabilities at amortized cost	1,349,169	1,248,188	100,981	8.1	1,230,745
Hedging derivatives	5,463	6,869	(1,406)	(20.5)	6,048
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	248	286	(38)	(13.3)	269
Liabilities under insurance or reinsurance contracts	770	910	(140)	(15.4)	739
Provisions	9,583	10,852	(1,269)	(11.7)	13,987
Tax liabilities	8,649	8,282	367	4.4	9,322
Other liabilities	12,698	12,336	362	2.9	12,792
Liabilities associated with non-current assets held for sale	—	—	—	—	—
<b>Total liabilities</b>	<b>1,498,782</b>	<b>1,416,928</b>	<b>81,854</b>	<b>5.8</b>	<b>1,412,036</b>
Shareholders' equity	119,649	114,620	5,029	4.4	124,239
Other comprehensive income	(32,719)	(33,144)	425	(1.3)	(24,168)
Non-controlling interest	10,123	9,846	277	2.8	10,588
<b>Total equity</b>	<b>97,053</b>	<b>91,322</b>	<b>5,731</b>	<b>6.3</b>	<b>110,659</b>
<b>Total liabilities and equity</b>	<b>1,595,835</b>	<b>1,508,250</b>	<b>87,585</b>	<b>5.8</b>	<b>1,522,695</b>

Executive summary <sup>A</sup>

## Loans and advances to customers (excl. reverse repos)

High liquidity in the system drove credit normalization following the uptick at the beginning of the pandemic

**EUR 962 billion** **+4%**

## → By segment:

Growth backed by individuals and large corporates

Individuals	SMEs and corporates	CIB and institutions
<b>+5%</b>	<b>-2%</b>	<b>+9%</b>

## Customer funds (deposits excl. repos + mutual funds)

Strong increase in customer funds benefiting from the higher propensity to save amid the health crisis

**EUR 1,070 billion** **+7%**

## → By product:

Of note were demand deposits (which account for 67% of customer funds) and mutual funds

Demand	Time	Mutual funds
<b>+9%</b>	<b>-5%</b>	<b>+13%</b>

A. 2021 vs 2020 changes in constant euros

Loans and advances to customers totalled EUR 972,682 million in December 2021, up 6% compared to December 2020.

Santander uses gross loans excluding reverse repurchase agreements (EUR 962,382 million) to analyse traditional retail banking loans. To better assess management, the comments below do not take into account the exchange rate impact, as usual.

Gross loans and advances to customers, excluding the exchange rate effect and reverse repos, increased 4%. In particular:

- Europe: in Poland, they increased 6% driven by record mortgage loan sales, SMEs and SCIB. In Portugal, they rose 3%, due to mortgages and corporates (mainly SMEs). In the UK, they grew slightly (+0.5%), driven by residential mortgages, but they remained flat in Spain, with growth in individuals and institutions. In 'Other Europe', they increased 25% owing mainly to SCIB. Overall regional growth was 3%.

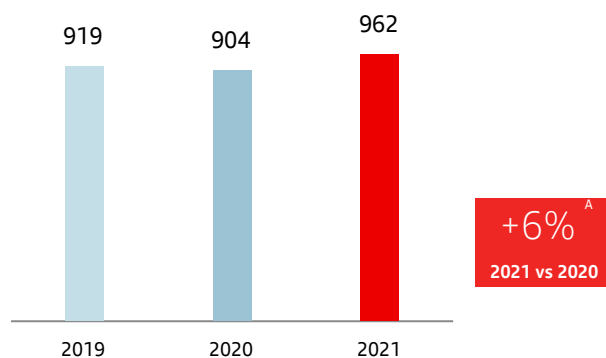
## Loans and advances to customers

EUR million

	2021	2020	Change		2019
			Absolute	%	
Commercial bills	49,603	37,459	12,144	32.4	37,753
Secured loans	542,404	503,014	39,390	7.8	513,929
Other term loans	269,526	269,143	383	0.1	267,154
Finance leases	38,503	36,251	2,252	6.2	35,788
Receivable on demand	10,304	7,903	2,401	30.4	7,714
Credit cards receivable	20,397	19,507	890	4.6	23,876
Impaired assets	31,645	30,815	830	2.7	32,543
<b>Gross loans and advances to customers (excl. reverse repos)</b>	<b>962,382</b>	<b>904,092</b>	<b>58,290</b>	<b>6.4</b>	<b>918,757</b>
Reverse repos	33,264	35,702	(2,438)	(6.8)	45,703
<b>Gross loans and advances to customers</b>	<b>995,646</b>	<b>939,794</b>	<b>55,852</b>	<b>5.9</b>	<b>964,460</b>
Loan-loss allowances	22,964	23,595	(631)	(2.7)	22,242
<b>Net loans and advances to customers</b>	<b>972,682</b>	<b>916,199</b>	<b>56,483</b>	<b>6.2</b>	<b>942,218</b>

### Gross loans and advances to customers (excluding reverse repos)

EUR billion



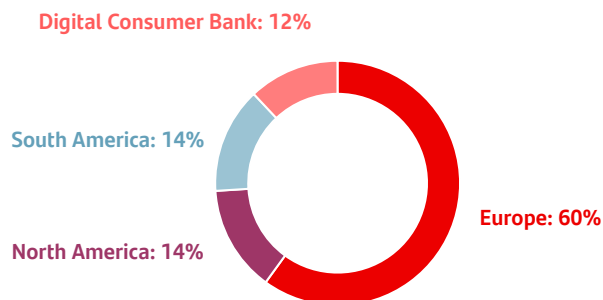
A. Excluding exchange rate impact: +4%.

- In North America, growth was 3% (+4% excluding the impact of Bluestem portfolio disposal). In the US, they grew 2% (+3% excluding disposal) propelled by auto financing. In Mexico, they were up 8% with widespread rises across segments (except SMEs).
- Growth in South America was 12%. In Argentina, lending increased 40% driven by individuals, SMEs and corporates. In Brazil, it climbed 13% owing to positive performance in all segments. In Chile, it was up 6% due to mortgages and SCIB. In Uruguay, it rose 14% backed by individuals.
- Digital Consumer Bank (DCB) declined 1%, as it continued to feel the effects of the covid-19 pandemic. However, new lending rose 10%. Performance across countries was mixed, with growth recorded in France and the UK. Openbank increased 48%.

By segment, gross loans and advances to customers excluding reverse repos maintained a balanced structure: individuals (63%), SMEs and corporates (22%) and SCIB and institutions (15%).

### Gross loans and advances to customers (excluding reverse repos)

% of operating areas. December 2021



By the end of 2021, 40% of loans and advances to customers maturing in more than a year had floating interest rates, while the other 60% were fixed-rate:

- In Spain, 52% of loans and advances to customers had floating rates and 48% were fixed-rate.
- Elsewhere, 37% of loans and advances to customers had floating rates and 63% were fixed-rate.

For more details on the distribution of loans and advances to customers by business line, see [note 10.b](#) to the consolidated financial statements.

Tangible assets amounted to EUR 33,321 million in December 2021, up EUR 586 million compared to December 2020 and largely driven by the recorded rise in property, plant and equipment leased under operating leases.

Intangible assets stood at EUR 16,584 million, of which EUR 12,713 million corresponds to goodwill (which increased EUR 242 million in the year) and EUR 3,871 million to other intangible assets, mostly IT developments (up EUR 434 million).

### Loans and advances to customers with maturities exceeding one year at 2021 year end

EUR million

	Domestic		International		TOTAL	
	Amount	Weight as % of the total	Amount	Weight as % of the total	Amount	Weight as % of the total
Fixed	80,934	48%	341,226	63%	422,160	60%
Variable	87,940	52%	198,115	37%	286,055	40%
<b>TOTAL</b>	<b>168,874</b>	<b>100%</b>	<b>539,341</b>	<b>100%</b>	<b>708,215</b>	<b>100%</b>

## Total customer funds

EUR million

	2021	2020	Change		2019
			Absolute	%	
Demand deposits	717,728	642,897	74,831	11.6	588,533
Time deposits	164,259	171,939	(7,680)	(4.5)	196,921
Mutual funds <sup>A</sup>	188,096	164,802	23,294	14.1	180,405
<b>Customer funds</b>	<b>1,070,083</b>	<b>979,638</b>	<b>90,445</b>	<b>9.2</b>	<b>965,859</b>
Pension funds <sup>A</sup>	16,078	15,577	501	3.2	15,878
Managed portfolios <sup>A</sup>	31,138	26,438	4,700	17.8	30,117
Repos	36,357	34,474	1,883	5.5	38,911
<b>Total funds</b>	<b>1,153,656</b>	<b>1,056,127</b>	<b>97,529</b>	<b>9.2</b>	<b>1,050,765</b>

A. Including managed and marketed funds.

In terms of liabilities, customer deposits grew 8% year-on-year to EUR 918,344 million in December 2021.

Santander uses customer funds (customer deposits including mutual funds but excluding repos) to analyse traditional retail banking funds, which stood at EUR 1,070,083 million.

Customer funds, excluding the effect of exchange rate movements, rose 7% in 2021 as follows:

- By product, customer deposits excluding repos were up 6%. Demand deposits grew 9% with rises in all markets, and time deposits fell 5%, as declines in Europe and North America more than offset growth in the main South American markets. Mutual funds surged 13% underpinned by net inflows and market recovery.

- Customer funds increased in all regions and most countries. Of note was the 9% jump in South America (Argentina: +52%; Uruguay: +15%; Chile: +11%; Brazil: +4%), and the 9% increase in North America (the US: +10%). Growth in Europe was 6% (Poland: +10%; Portugal and Spain: +8%; the UK was flat).

- Positive performance also in DCB, which rose 10%. Openbank grew 24%.

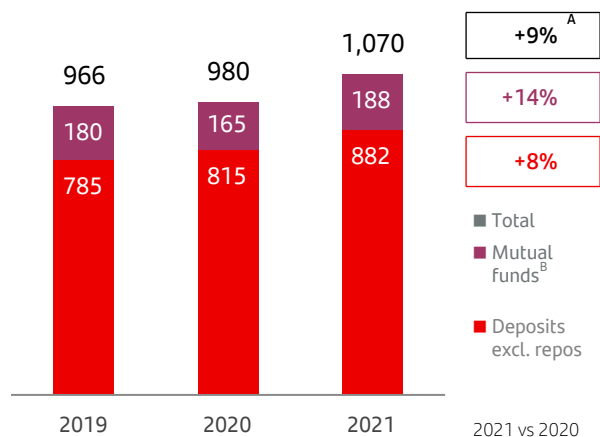
As a result, the weight of demand deposits as a percentage of total customer funds was 67%, while time deposits accounted for 15% of the total and mutual funds 18%.

In addition to capturing customer deposits, the Group, for strategic reasons, maintains a selective policy on issuing securities in international fixed income markets. We strive to adapt the frequency and volume of market operations to each unit's structural liquidity needs and to the receptiveness of each market.

For more details on debt issuances and maturities, see section [3.4 'Liquidity and funding management'](#).

## Customer funds (excluding repos)

EUR billion

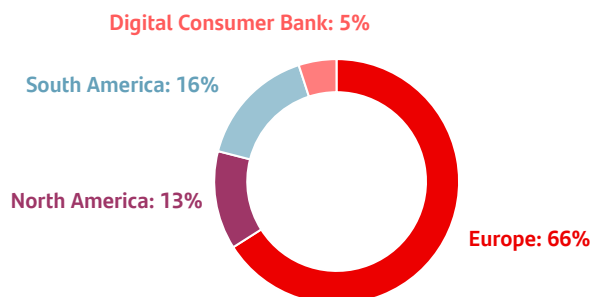


A. Excluding exchange rate impact: +7%.

B. Including managed and marketed funds.

## Customer funds (excluding repos)

% of operating areas. December 2021





### 3.4 Liquidity and funding management

#### Executive Summary

##### Regulatory ratios

The LCR and NSFR ratios amply exceed regulatory requirements (both 100%)



##### Debt issuances in 2021

We issued EUR 52 bn of debt in 2021, diversified by product, currency, country and maturity

<b>EUR 29 bn</b>	Medium- and long-term debt
<b>EUR 23 bn</b>	Securitizations

##### Comfortable and stable funding structure

High contribution of deposit funding

<b>106%</b>	LTD ratio
-------------	-----------

#### Liquidity management in Santander

Our structural liquidity management aims to optimize maturities and costs, and to avoid undesired liquidity risks in funding Santander's recurrent activity.

It follows these principles:

- Decentralized liquidity model.
- Medium- and long-term (M/LT) funding needs must be covered by medium- and long-term instruments.
- High contribution from customer deposits due to the retail nature of the balance sheet.
- Wholesale funding sources diversified by instrument and investor; market and currency; and maturity.
- Limited recourse to short-term funding.
- Sufficient liquidity reserves (including standing facilities/discount windows at central banks to be used in adverse situations).
- Group and subsidiary level compliance with regulatory liquidity requirements, as a new factor conditioning management.

To apply these principles effectively across the Group, we developed a unique management framework based on three fundamental pillars:

- Tight organization and governance that involve subsidiaries' senior managers in decision-making and integrate them into our global strategy. Decisions about structural risks, including liquidity and funding risk, falls on the local asset and liability committees (ALCOs), which coordinate with the global ALCO. The global ALCO is empowered by the board of directors under the corporate Asset and Liability Management (ALM) framework.

This enhanced governance model is included within our risk appetite framework, which meets regulators and market's demands for stronger risk management and control systems, in response to the financial crisis.

- In-depth balance sheet analysis and liquidity risk measurement that support decisions and control to ensure liquidity levels cover short- and long-term needs with stable funding sources, as well as minimize the impact of their cost on earnings.

Each geographic area has a conservative risk appetite framework, (based in its commercial strategy) which sets out the liquidity risk management framework. Subsidiaries must work within the framework limits to achieve their strategic objectives.

- Liquidity management adapted to the needs of each business. We develop a liquidity plan every year to achieve:
  - a solid balance sheet structure, with a diversified footprint in wholesale markets;
  - stable liquidity buffers and limited asset encumbrance; and
  - compliance with regulatory and other metrics included in each entity's risk appetite statement.

We monitor all of the plan's dimensions throughout the year.

Santander continues to carry out the Internal Liquidity Adequacy Assessment Process (ILAAP). It is integrated into our other risk management and strategic processes to measure liquidity in ordinary and stressed scenarios. The quantitative and qualitative items we consider are also inputs for the Supervisory Review and Evaluation Process (SREP).

Once a year, we must submit to supervisors a board-approved ILAAP assessment that shows our funding and liquidity structures will remain solid in all scenarios and our internal processes will ensure sufficient liquidity (based on analyses that each subsidiary conducts according to our local liquidity management model).

Our governance structure is robust and suited to identify, manage, monitor and control liquidity risks. It rests on common frameworks, conservative principles, clearly defined roles and responsibilities, a consistent committee structure, effective local lines of defence and well-coordinated corporate supervision.

We produce frequent, detailed liquidity monitoring reports for management, control, reporting and steering purposes. We also send the most relevant information regularly to senior managers, the executive committee and the board of directors.

Over the last few years, Santander and each subsidiary have developed a comprehensive special situations management framework that centralizes our governance for such scenarios. It contains contingency funding plans, that are integrated within our governance model, with feasible, pre-assessed actions that follow a defined timeline; are categorized and prioritized; and provide for sufficient liquidity and execution time to mitigate stress scenarios.

## Funding strategy and liquidity in 2021

### Funding strategy and structure

Our funding strategy in recent years has focused on extending our management model to all subsidiaries (including new additions).

It is based on a model of autonomous subsidiaries that are responsible for covering their own liquidity needs. This structure has enabled our solid retail banking model to maintain sound liquidity positions in the Group and our core country units, even amid market stress.

We have had to adapt funding strategies to commercial business trends, market conditions and new regulatory requirements. In 2021, we improved specific aspects, without significant changes in liquidity management or funding policies and practices. This will enable us to face 2022 from a strong starting point, with no growth restrictions.

In general, our subsidiaries continue to apply the same funding and liquidity management strategies:

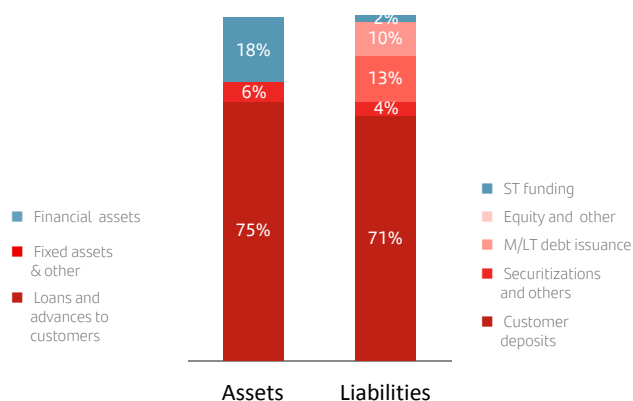
- maintaining sufficient and stable medium- and long-term wholesale funding levels.
- ensuring the right volume of assets which can be discounted in central banks as part of the liquidity buffer.
- generating liquidity from the retail business.

These developments have strengthened Santander's funding structure:

- Customer deposits are our main source of funding. They are highly stable because they mainly arise from retail customer activity. At the end of December 2021, they represented just over two-thirds of net liabilities (i.e. of the liquidity balance sheet) and nearly 95% of loans and advances to customers. Their weight (as a percentage of loans and advances to customers) grew compared to end 2020. For more details, see the 'Liquidity in 2021' section.

### Group's liquidity balance sheet

% December 2021



- M/LT funding accounted for nearly 17% of net liabilities at the end of 2021, similar to 2020. It amply covers the retail funding gap (i.e. loans and advances to customers not funded by customer deposits).

The outstanding balance of M/LT debt issued in the market (to third parties) at the end of 2021 was EUR 173,652 million. Our maturity profile is comfortable and well balanced by instruments and markets with a weighted average maturity of 4.8 years (similar to the average maturity of 4.7 years at the end of 2020).

These tables show our funding by instrument over the last three years and by maturity profile:

**Group. Medium- and long-term debt issuances<sup>A</sup>**

EUR million

	2021	2020	2019
Preferred	10,238	8,925	9,411
Subordinated	16,953	13,831	12,640
Senior debt	104,553	95,208	107,166
Covered bonds	41,908	49,388	50,847
<b>Total</b>	<b>173,652</b>	<b>167,351</b>	<b>180,064</b>

A. Placed in markets. Does not include securitizations, agribusiness notes and real estate credit notes.

**Group. Distribution by contractual maturity. December 2021<sup>A</sup>**

EUR million

	0-1 month	1-3 months	3-6 months	6-9 months	9-12 months	12-24 months	2-5 years	more than 5 years	Total
Preferred	—	49	—	—	—	—	—	10,189	10,238
Subordinated	—	—	—	129	—	652	6,128	10,044	16,953
Senior debt	3,033	3,734	2,918	1,097	4,169	18,222	42,792	28,586	104,553
Covered bonds	104	1,695	2,087	1,850	1,090	3,380	15,280	16,421	41,908
<b>Total</b>	<b>3,137</b>	<b>5,478</b>	<b>5,006</b>	<b>3,076</b>	<b>5,260</b>	<b>22,255</b>	<b>64,200</b>	<b>65,240</b>	<b>173,652</b>

A. If an issuance has a put option in favour of the holder, its maturity is considered (not the contractual maturity).  
Note: There are no additional guarantees for any of the debt issued by the Group's subsidiaries.

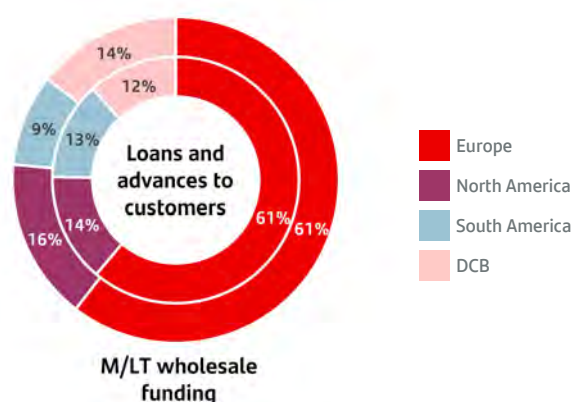
The lower weight of covered bonds in recent years in favour of other instruments is mainly due to the gradual construction of the MREL and TLAC requirements, as instruments with loss-absorbing capacity cannot have additional guarantees. Additionally, loan portfolios that are currently being used as collateral in central bank funding cannot be reused to issue secured instruments to the market.

In addition to the M/LT wholesale debt issuances, we have securitizations placed in the market as well as collateralized and other specialist funding totalling EUR 48,286 million (which includes EUR 6,935 million in debt instruments placed with private banking clients in Brazil). The average maturity is around 1.6 years.

This chart shows the similarity of the geographic breakdown of our loans and advances to customers and M/LT wholesale funding across our footprint. This distribution is almost identical to 2020 both in loans and advances and M/LT wholesale funding.

**Loans and advances to customers and M/LT wholesale funding**

%. December 2021



Wholesale funding from short-term issuance programmes is a residual part of Santander's funding structure, which is related to treasury activities and comfortably covered by liquid assets.

The outstanding short-term wholesale funding balance at the end of 2021 was EUR 27,296 million. 50% was in European Commercial Paper, US Commercial Paper and domestic programmes issued by Banco Santander, S.A.; 22% in certificates of deposit and commercial paper programmes in the UK; 19% in Santander Consumer Finance (SCF) commercial paper programmes; and 9% in issuance programmes in other country units.

**Liquidity in 2021**

The key liquidity takeaways in 2021 are:

- Basic liquidity ratios remain at comfortable levels.
- Regulatory ratios were well above minimum requirements.
- Our use of encumbered assets in funding operations was moderate.

In 2021, the transition back to business as usual began, after a 2020 marked by the frenetic activity of governments, regulators and central banks following the World Health Organization's declaration of covid-19 as an epidemic and subsequently a pandemic.

At the end of 2021, central banks (albeit at different rates) began to withdraw or think about how to withdraw some of the stimulus measures (especially those relating to injecting liquidity into the system), put in place during the most acute phase of the crisis, without causing second-round effects.

With markets fully open in 2021, we regularly monitored our liquidity position in the special situations committees and the meetings held by the Group's executive committee and board of directors. We also supplied information to the ECB at the regular monitoring meetings held by the Group during the supervisory dialogue process.

Our liquidity position has remained solid at all times. Moreover, the commercial activity in the year (discussed below), contributed liquidity in the year.

### i. Basic liquidity ratios at comfortable levels

At the end of 2021, Santander recorded:

- A stable credit to net assets ratio (i.e. total assets minus trading derivatives and inter-bank balances) of 75%. Such a high level compared to our competitors in Europe speaks to the retail nature of our balance sheet.
- A net loan-to-deposit ratio (LTD) of 106%, a very comfortable level (well below 120%) and down from the 108% in 2020. Lending grew moderately in constant euros in almost all our markets (except consumer businesses which were affected by the semiconductor and supply chain problems). However, deposit growth more than compensated the increase in lending.
- A customer deposits plus M/LT funding to net loans and advances ratio of 117% (similar to last year).
- Limited recourse to short-term wholesale funding (just over 2% of total funding) in line with previous years.
- Lastly, our structural surplus defined as the excess of structural funding sources (deposits, M/LT funding and capital) against structural liquidity needs from fixed assets and loans had an average balance of EUR 207,233 million in the year.

Our consolidated structural surplus stood at EUR 208,540 million. Fixed-income assets (EUR 149,057 million), equities (EUR 20,357 million) and net interbank deposits (EUR 60,423 million) were partly offset by short-term wholesale funding (-EUR 27,296 million). This totalled around 16% of our net liabilities (slightly up from the end of 2020).

This table shows Santander's basic liquidity monitoring metrics in recent years:

#### Group's liquidity monitoring metrics

%	2021	2020	2019
Loans <sup>A</sup> / Net assets	75%	76%	77%
Loans <sup>A</sup> to deposit ratio (LTD)	106%	108%	114%
Customer deposits and medium and long term funding / Loans <sup>A</sup>	117%	116%	113%
Short term wholesale funding / Net liabilities	2%	2%	3%
Structural liquidity surplus (% of net liabilities)	16%	15%	13%

A. Loans and advances to customers.

The table below shows the principal liquidity ratios of our main country units as at the end of 2021:

#### Main country units' liquidity metrics

% December 2021

	LTD ratio	Deposits + M/ LT funding / Loans <sup>A</sup>
Spain	74%	149%
United Kingdom	108%	107%
Portugal	93%	115%
Poland	79%	130%
United States	125%	111%
Mexico	87%	126%
Brazil	98%	118%
Chile	128%	100%
Argentina	56%	178%
Digital Consumer Bank	206%	77%
<b>Group</b>	<b>106%</b>	<b>117%</b>

A. Loans and advances to customers

In 2021, the key drivers of Santander's and our subsidiaries' liquidity (excluding the exchange rate impact) were:

- Recovery in lending, except for Digital Consumer Bank (DCB), which remained stable, affected by the semiconductor crisis and supply chain problems which slowed production of cars and consumer goods. There was also generalized growth in customer deposits. As a result, the retail funding gap provided liquidity in the year.
- Issuances continued at a similar rate to the previous year and, overall, were in line with our funding plan for the year. By region, North America and DCB issued less than planned given business performance, while South America was more active in capital markets.

In 2021, Santander issued EUR 51,954 million in M/LT funding (at year-average exchange rates).

By instrument, the stock of M/LT fixed income debt (i.e. covered bonds, senior debt, subordinated debt and capital hybrid instruments) decreased by around 5% to EUR 29,030 million at the end of the year. The greater activity in senior, both preferred and TLAC eligible bonds, and in hybrids was not enough to offset low covered bond issuances. Securitizations and structured finance totalled EUR 22,924 million in 2021, a 35% increase year-on-year.

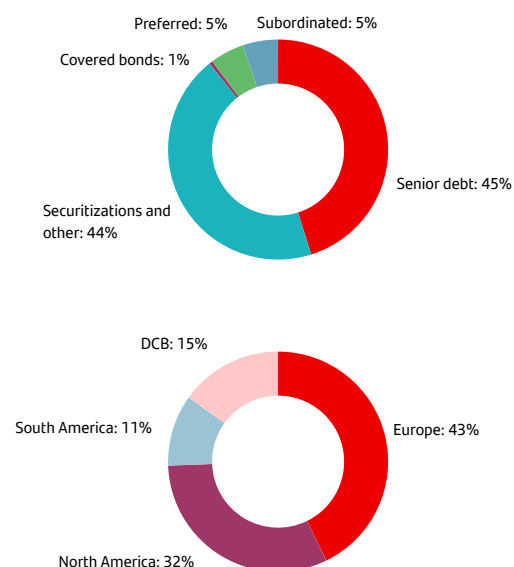
By country unit, Spain and Brazil issued the most M/LT fixed income debt (not including securitizations), followed by the UK. In the year, the greatest absolute increases were recorded in by our units in Spain and Brazil. The main year-on-year decreases occurred in the UK and SCF.

SCF and SC USA were the main issuers of securitizations.

The charts below provide show issuances by instrument and region:

#### Distribution by instrument and region

%. December 2021



Covered bonds issued in 2021 accounted for 1% of total issuances, well below the 14% in 2020. Only Santander Brasil issued covered bonds in 2021. The main issuers in previous years, Spain and the UK, issued no covered bonds in 2021, for the reasons stated above (regarding central bank collateral). Senior debt accounted for 45% of total issuances, compared to 42% in 2020. The weight of TLAC eligible senior debt compared to senior preferred debt was lower than in 2020.

In 2021, the Group issued EUR 16,574 million in subordinated instruments, including EUR 11,282 million in senior non-preferred debt from Banco Santander, S.A. and senior preferred from the holding in the UK; EUR 2,698 million in subordinated debt; and EUR 2,593 million in AT1 eligible hybrid instruments issued by the parent bank.

In summary, we retained comfortable access to all our markets. In 2021, we issued and securitized debt in 17 currencies, involving 20 major issuers from 14 countries and an average maturity of 4.5 years (slightly lower than 4.8 years in 2020).

#### ii. Compliance with regulatory ratios

Within the liquidity management model, over the last few years Santander has been managing the implementation, monitoring and compliance with the liquidity requirements established under international financial regulations ahead of schedule.

#### Liquidity Coverage Ratio (LCR)

As the regulatory LCR requirement has been at the maximum level of 100% since 2019, we have set a risk appetite of 110% for the Group and subsidiaries.

Our strong short-term liquidity base and our core subsidiaries' autonomous management led to compliance levels above 100% (both at Group and local level) throughout the year. Our LCR in December 2021 was 163%, well above the regulatory requirement.

The table below shows that all our subsidiaries substantially exceeded the required minimum in 2021 and the comparison versus 2020. Santander UK's figures only include activities that the Financial Services and Markets Act 2000 leaves within the Ring-Fenced Bank.

#### Liquidity Coverage Ratio (LCR)

%

	December 2021	December 2020
Parent bank	151%	175%
United Kingdom	168%	152%
Portugal	138%	122%
Poland	197%	187%
United States	150%	129%
Mexico	184%	207%
Brazil	141%	167%
Chile	148%	155%
Argentina	258%	222%
Santander Consumer Finance	319%	314%
<b>Group</b>	<b>163%</b>	<b>168%</b>

#### NSFR (Net Stable Funding Ratio)

The final definition of the net stable funding ratio (NSFR) was approved by the Basel Committee in October 2014 and transposed to EU law in June 2019 when the Official Journal of the European Union published the Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

Accordingly, entities must have a net stable funding ratio, greater than 100% from June 2021.

The NSFR is a structural measurement that gives banks an incentive to ensure long-term stability and proper management of maturity mismatches by funding long-term assets with long-term liabilities. It is the quotient of available stable funding (ASF) and required stable funding (RSF).

ASF comprises sources of funding (i.e. capital and other liabilities) considered stable over one year. RSF primarily refers to any asset deemed illiquid over one year, thus needing to be matched with stable sources of funding.

In 2021, we defined a risk appetite limit of 101.5% both at the consolidated and subsidiary level.

The high weight of customer deposits (which are more stable); permanent liquidity needs deriving from commercial activity funded by medium- and long-term instruments; and limited recourse to short-term funding help maintain our balanced liquidity structure as reflected in our consolidated and subsidiary NSFRs above 100% in December 2021.

The table below provides details by main subsidiary as well as a comparison with 2020. Santander UK's figures only include activities that the Financial Services and Markets Act 2000 leaves within the Ring-Fenced Bank. Additionally, note that 2020 figures were calculated under the Basel methodology while 2021 calculations incorporate requirements as transposed to European law.

#### Net Stable Funding Ratio

%	December 2021	December 2020
Parent bank	118%	116%
United Kingdom	138%	129%
Portugal	124%	123%
Poland	156%	150%
United States	128%	120%
Mexico	134%	132%
Brazil	116%	119%
Chile	124%	120%
Argentina	180%	174%
Santander Consumer Finance	115%	114%
<b>Group</b>	<b>126%</b>	<b>120%</b>

### III. Asset Encumbrance

Santander's use of assets as collateral in structural funding sources of the balance sheet is moderate.

In keeping with the 2014 European Banking Authority (EBA) guidelines on disclosure of encumbered and unencumbered assets, the concept of asset encumbrance includes on-balance-sheet assets

pledged as collateral in operations to obtain liquidity, off-balance-sheet assets received and reused for a similar purpose, and other assets with liabilities for reasons other than funding.

The tables below show the asset encumbrance data we must submit to the EBA as of December 2021:

#### Group. Disclosure on asset encumbrance as at December 2021

EUR billion

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>Assets</b>	<b>365.1</b>	<b>—</b>	<b>1,230.7</b>	<b>—</b>
Loans and advances	262.8	—	984.4	—
Equity instruments	8.4	8.4	13.1	13.1
Debt instruments	61.0	61.1	102.9	102.8
Other assets	32.9	—	130.3	—

#### Group. Collateral received as at December 2021

EUR billion

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
<b>Collateral received</b>	<b>80.7</b>	<b>31.5</b>
Loans and advances	1.2	0.0
Equity instruments	5.4	7.0
Debt instruments	74.2	24.5
Other collateral received	—	0.0
<b>Own debt securities issued other than own covered bonds or ABSs</b>	<b>0.0</b>	<b>0.6</b>

#### Group. Encumbered assets/collateral received and associated liabilities as at December 2021

EUR billion

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
<b>Total sources of encumbrance (carrying amount)</b>	<b>325.2</b>	<b>445.9</b>

On-balance-sheet encumbered assets amounted to EUR 365.1 billion; 72% are loans and advances (e.g. mortgages and corporate loans). Off-balance-sheet encumbrance stood at EUR 80.7 billion and mainly relates to debt securities received as collateral in reverse repurchase agreements and rehypothecated ("reused"). Both types of encumbered assets amount to EUR 445.9 billion, giving rise to associated liabilities of EUR 325.2 billion.

At the end December 2021, total asset encumbrance in funding operations was 26.1% of the Group's extended balance sheet under EBA criteria (total assets plus guarantees received: EUR 1,708.0 billion), lower than the 26.6% at the end of 2020 mainly due to balance sheet growth.

## Rating agencies

Rating agencies influence Santander's access to wholesale funding markets and the cost of its issuances.

The agencies listed below regularly review our ratings. Debt ratings depend on several internal factors (business model, strategy, capital, income generation capacity, liquidity, etc.) but also on external factors related to economic conditions, the industry and sovereign risk across our footprint.

Sometimes the methodology applied by the agencies limits ratings to the sovereign's rating of country where the bank is headquartered. However, as a testament of our financial strength and diversification, Banco Santander, S.A. is still rated above the Kingdom of Spain's sovereign rating (where it is headquartered) by Moody's, DBRS and Standard & Poor's (S&P) and on par with it by Fitch.

At the end of 2021, the ratings from the main agencies were:

Rating agencies			
	Long term	Short term	Outlook
DBRS	A (High)	R-1 (Middle)	Stable
Fitch Ratings	A- (Senior A)	F2 (Senior F1)	Stable
Moody's	A2	P-1	Stable
Standard & Poor's	A+	A-1	Negative
Scope	AA-	S-1+	Stable
JCR Japan	A+	—	Stable

In 2021, S&P upgraded the long-term rating to A+ due to a change in its methodology. DBRS, Fitch, Moody's and JCR Japan confirmed their ratings.

As for the outlook, Fitch changed from negative to stable due to the stabilization of the operating environment in Santander's main markets, while in December S&P, after having raised it in June, downgraded it back to negative due to the worsening of the sovereign's outlook, keeping Santander 1 notch above the Kingdom of Spain.

## Funding outlook for 2022

Despite some lingering uncertainties, Santander has begun 2022 with a comfortable liquidity position and a positive funding outlook for the year.

We expect lending to rise moderately in all our core markets, coupled with a solid performance in deposits leading to limited demand for liquidity from our retail business. The largest liquidity needs will come from our largest country units: Spain, Brazil and Digital Consumer Bank.

The maturities in upcoming quarters are manageable, aided by limited recourse to short-term funding and an expected medium- and long-term issuance dynamic slightly greater than last year. We will manage each country, optimizing liquidity to maintain a solid balance sheet structure across our footprint.

Additionally, our funding plans take into account costs and diversification by instrument, country and market as well as the construction of liability buffers with loss-absorbing capacity in resolution (whether capital eligible or not). They are designed to ensure Santander and each subsidiary always satisfy regulatory requirements and those stemming from our risk appetite framework.

For example, Banco Santander, S.A.'s 2022 funding plan is designed to cover the greater TLAC/MREL requirements and pre-finance issuances that lose loss-absorbing capacity, and to cover any needs arising from potential increases in RWAs (which form the base for both ratios). As such, the plan includes between EUR 9 billion and EUR 10 billion of senior preferred and non-preferred debt, between EUR 3 billion and EUR 3.5 billion of hybrid instruments (depending on RWA growth to ensure the continued fulfilment of the 1.5% AT1 and 2% T2 buffers). The plan does not contemplate any covered bond issuances.

With regard to the rest of the Group: Santander Consumer Finance, plans to issue between EUR 5 billion and EUR 6 billion in senior instruments, as well as the possibility of up to EUR 0.5 billion in covered bonds; in the UK we expect to issue between EUR 3 billion and EUR 4 billion in senior debt (either from the bank or from its holding company) and between EUR 0.5 billion and EUR 0.75 billion in covered bonds; and, lastly, Santander Holdings USA plans to issue between EUR 2 billion and EUR 2.5 billion in senior debt.

Notwithstanding the above, Banco Santander, S.A. and the Group remain alert to opportunities to optimize the cost of outstanding issuances and may therefore decide to carry out additional issuances or reduce them.



### 3.5 Capital management and adequacy. Solvency ratios

#### Executive summary

##### Fully-loaded capital ratio

The fully-loaded CET1 reached 12%



##### Fully-loaded CET1

Strong organic generation driven by profit and RWA management

Organic generation\* **+118 bps**

##### TNAV per share

The TNAV per share was **EUR 4.12**, +11% year-on-year including dividends

\* Includes negative impact from shareholder remuneration

The aim of capital management and adequacy at Santander is to guarantee solvency and maximize profitability, while complying with internal capital targets and regulatory requirements.

Capital management is a key strategic tool for decision-making at both the local and corporate levels.

At Santander, we have a common framework covering actions, criteria, policies, functions, metrics and processes for capital management.

Our most notable capital management activities are:

- establishing **capital adequacy** and capital contribution **targets** aligned with minimum regulatory requirements and internal policies, to guarantee robust capital levels consistent with our risk profile and efficient use of capital to maximize shareholder value.
- drawing up a **capital plan** to meet those objectives consistent with our strategic plan. Capital planning is an essential part of executing the three-year strategic plan.

- **assessing capital adequacy** to ensure that the capital plan is also consistent with our risk profile and risk appetite framework in stress scenarios.
- developing the **annual capital budget** as part of the Group's budgeting process.
- **monitoring and controlling the budget execution** at the Group and country level and drawing up action plans to correct any deviations from the budget.
- **integrating capital metrics** into our business management to ensure alignment with the Group's objectives.
- **preparing internal capital reports**, and reports for the supervisory authorities and the market.
- **planning and managing other loss absorbing instruments** (MREL and TLAC).

Santander's capital function is carried out on three levels:

##### Regulatory capital



The first step in managing regulatory capital is to analyse the capital base, the capital adequacy ratios under the current regulatory criteria and the scenarios used in capital planning to make the capital structure as efficient as possible, both in terms of costs and compliance with regulatory requirements. Active capital management includes strategies for allocation and efficient use of capital, together with securitizations, asset sales and issuances of equity instruments (hybrid equity instruments and subordinated debt).

##### Economic capital



The objective of the economic capital model is to ensure that we adequately allocate our capital to cover all risks to which we are exposed as a result of our activity and risk appetite. It also aims to optimize economic value added at the Group and business unit level.

##### Profitability and pricing



Creating value and maximizing profitability is one of Santander's main objectives, carefully selecting the most appropriate markets and portfolios based on profitability, taking into account risk. Profitability and pricing are therefore integral parts of the key capital model processes.

The main measures we took in 2021 were:

### Issuances of capital hybrid and other loss-absorbing instruments

In 2021, Banco Santander, S.A. issued EUR 4,464 million in hybrid instruments. This comprised EUR 1,852 million in T2 subordinated debt and EUR 2,612 million in contingently convertible preferred shares (CoCos). Part of these CoCos were intended to replace the early amortization of a EUR 1,500 million issuance called in September 2021.

Banco Santander, S.A. also issued EUR 7,934 million in senior non-preferred debt.

### Dividends and shareholder remuneration

On 28 September 2021, the board announced its 2021 shareholder remuneration policy to pay out an interim distribution of approximately 40% of the Group's underlying profit (half through a cash dividend and half through a shares buyback).

- **Interim remuneration.** Accordingly, it authorized the payment of an interim dividend of EUR 4.85 cents per share (i.e. 20% of the Group's underlying profit for H1'21), in cash and charged against 2021 profits; it was paid on 2 November 2021. The board also voted to launch the First Buyback Programme worth EUR 841 million (20% of the Group's underlying profit for H1'21) once the ECB approved it on 28 September 2021. The number of shares acquired (259,930,273 shares) makes up approximately 1.499% of our share capital.
- **Final remuneration.** The board of directors voted to submit a resolution at the 2022 AGM for the approval of a complementary cash dividend of EUR 5.15 cents per share (gross), equalling an approximate total of EUR 865 million; and a Second Buyback Programme for EUR 865 million, to be approved by the ECB.

For more details, see section [3.3 'Dividends'](#) on the Corporate governance chapter.

### Strengthen capital management culture

Focus ahead will remain on disciplined capital allocation and shareholder remuneration while we maintain our fully-loaded CET1 target between 11%-12%.

The continuous improvement in the capital ratios reflects our profitable growth strategy and a culture of active capital management at all levels of the organization.

In order to have a more global vision and simplify our structure, we created a new team, '**Capital and Profitability Management**', in charge of our capital analysis, adequacy and management, coordination with subsidiaries in all matters related to capital and monitoring and measuring returns.

All the countries and business units have drawn up **individual capital plans** focused on achieving a business that maximizes the return on equity.

Santander gives a significant weight to capital and **incentives**. Certain aspects relating to capital management and returns are taken into account when setting the variable remuneration payable to members of senior management:

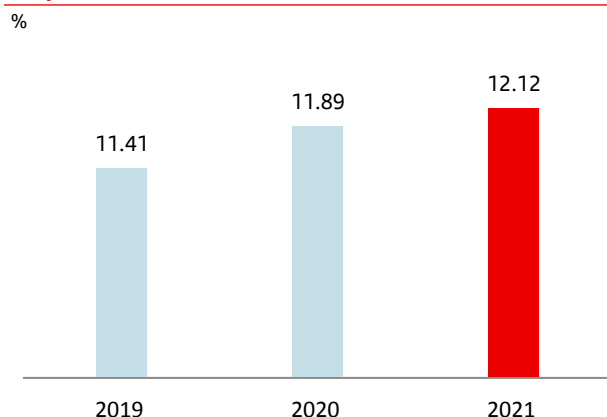
- The relevant metrics include our **CET1 ratio**, the country units' capital contributions to the Group ratio, the return on tangible equity (**RoTE**) and profit after tax.
- The **qualitative aspects considered** include the proper management of regulatory changes affecting capital, effective management of capital relating to business decisions, sustainable capital generation over time and effective capital allocation.

### Action plans

In addition, we have developed a three-year action plan for the continuous improvement of infrastructures, processes and methodologies that support all aspects related to capital, with the aim of further enhancing active capital management, responding more quickly to the numerous and increasing regulatory requirements and efficiently carrying out all associated activities.

We continue to improve our processes and controls associated with capital data quality. Additionally, we continuously develop risk management initiatives at both the consolidated and local levels to strengthen and fine-tune different activities.

## Fully-loaded CET1 ratio

Regulatory phased-in CET1 ratio<sup>A</sup>

%

Year	Regulatory phased-in CET1 ratio (%)
2019	11.65
2020	12.34
2021	12.51

## Main capital data and solvency ratios

EUR million

	Fully loaded		Phased-in <sup>A</sup>	
	2021	2020	2021	2020
Common equity (CET1)	70,208	66,783	72,402	69,399
Tier 1 (T1)	79,939	75,510	82,452	78,501
Eligible capital	95,078	88,368	97,317	91,015
Risk-weighted assets	579,478	561,850	578,930	562,580
CET1 capital ratio	12.12%	11.89%	12.51%	12.34%
T1 capital ratio	13.79%	13.44%	14.24%	13.95%
Total capital ratio	16.41%	15.73%	16.81%	16.18%
Leverage ratio	5.21%	5.13%	5.37%	5.33%

A. The phased-in ratios include the transitory treatment of IFRS 9, calculated in accordance with article 473 bis of the Regulation on Capital Requirements (CRR) and subsequent amendments introduced by Regulation 2020/873 of the European Union. Additionally, the Tier 1 and total phased-in capital ratios include the transitory treatment according to chapter 2, title 1, part 10 of the aforementioned CRR.

## Fully-loaded capital ratios in 2021

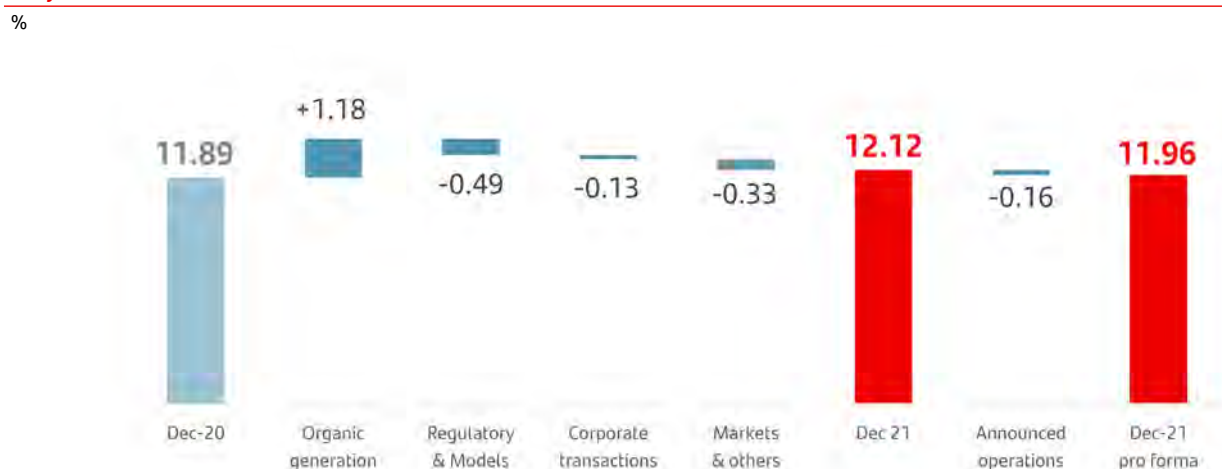
If we do not apply the transitory IFRS 9 provisions, nor the subsequent amendments introduced by Regulation 2020/873 of the European Union, which has a 39 bp impact, the fully-loaded CET1 ratio was 12.12%.

Of note in the year was organic generation of 118 basis points, supported by the results obtained in the year and management of risk-weighted assets. This figure includes a negative impact of 45 basis points related to shareholder remuneration. This strong generation was partially offset by regulatory and model impacts, the negative market impacts on available for sale (HTC&S) portfolios and non-recurring impacts (acquisition of minority interest in Mexico and restructuring costs).

If we include the acquisition of SC USA minority interests, which closed on 31 January 2022, and the announced acquisition of Amherst Pierpont, which is pending to completion, the CET1 ratio would be an estimated 16 basis points lower, bringing it to 11.96%.

The fully-loaded leverage ratio stood at 5.21%

## Fully-loaded CET1 ratio in 2021

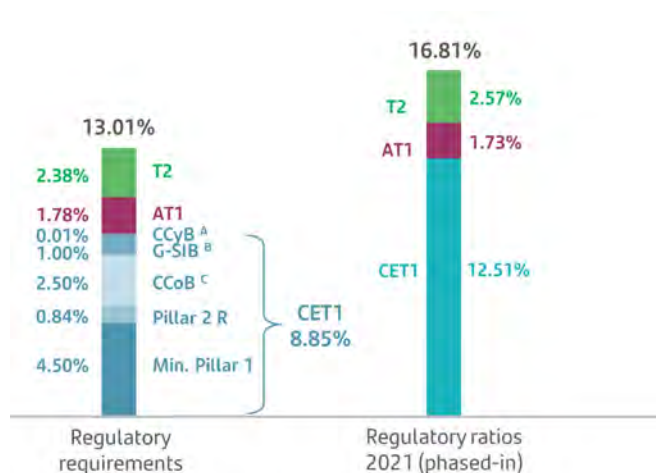


## Regulatory capital ratios (phased-in)

The phased-in ratios are calculated by applying the CRR transitory schedules. At year-end, the total phased-in capital ratio was 16.81% and the (phased-in) CET1 ratio was 12.51%.

We have a strong capital base, comfortably meeting the minimum levels required by the European Central Bank on a consolidated basis (13.01% for the total capital ratio and 8.85% for the CET1 ratio). This resulted in a CET1 management buffer of 366 bps, compared to the pre-covid-19 buffer of 189 bps.

Taking into account the shortfall in AT1, Santander exceeded the 2021 minimum regulatory requirements by 360 bps.



A. Countercyclical buffer.

B. Global systemically important banks (G-SIB) buffer.

C. Capital conservation buffer.

The phased-in leverage ratio stood at 5.37%.

## Regulatory capital (phased-in). Flow statement

EUR million

2021

<b>Capital Core Tier 1 (CET 1)</b>	
<b>Starting amount (31/12/2020)</b>	<b>69,399</b>
Shares issued in the year and share premium	(4,034)
Treasury shares and own shares financed	(840)
Reserves	2,640
Attributable profit net of dividends	6,394
Other retained earnings	152
Minority interests	67
Decrease/(increase) in goodwill and other intangible assets	(353)
Other	(1,023)
<b>Ending amount (31/12/2021)</b>	<b>72,402</b>
<b>Additional Capital Tier 1 (AT1)</b>	
<b>Starting amount (31/12/2020)</b>	<b>9,102</b>
AT1 eligible instruments	1,248
T1 excesses - subsidiaries	(299)
Residual value of intangible assets	—
Deductions	—
<b>Ending amount (31/12/2021)</b>	<b>10,050</b>
<b>Capital Tier 2 (T2)</b>	
<b>Starting amount (31/12/2020)</b>	<b>12,514</b>
T2 eligible instruments	2,073
Generic funds and surplus loan-loss provisions-IRB	75
T2 excesses - subsidiaries	203
Deductions	—
<b>Ending amount (31/12/2021)</b>	<b>14,865</b>
Deductions from total capital	—
<b>Total capital ending amount (31/12/2021)</b>	<b>97,317</b>

The following tables show the total risk-weighted assets (comprising the denominator of capital requirements based on risk) as well as their distribution by geographic segment.

### Risk-weighted assets

EUR million

	RWAs		Minimum capital requirements
	2021	2020	2021
<b>Credit risk (excluding CCR)</b>	<b>477,977</b>	<b>470,333</b>	<b>38,238</b>
Of which: standardized approach (SA)	262,869	259,362	21,029
Of which: the foundation IRB (FIRB) approach	9,483	8,841	759
Of which: slotting approach	14,672	14,529	1,174
Of which: equities under the simple risk weighted approach	2,219	2,750	178
Of which: the advanced IRB (AIRB) approach	173,956	168,096	13,916
<b>Counterparty credit risk (CCR)</b>	<b>15,674</b>	<b>10,239</b>	<b>1,254</b>
Of which: standardized approach	13,639	9,278	1,091
Of which: internal model method (IMM)	—	—	—
Of which: exposures to a CCP	268	241	21
Of which: credit valuation adjustment (CVA)	1,767	720	141
Of which: other CCR	—	—	—
<b>Settlement risk</b>	<b>1</b>	<b>—</b>	<b>0</b>
<b>Securitization exposure in the banking book (after the cap)</b>	<b>11,151</b>	<b>9,751</b>	<b>892</b>
Of which: SEC-IRBA approach	5,226	4,731	418
Of which: SEC-ERBA approach	1,366	1,607	109
Of which: SEC-SA approach	2,676	1,821	214
Of which: 1250% deduction	1,883	1,592	151
<b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>17,224</b>	<b>17,983</b>	<b>1,378</b>
Of which: standardized approach	6,844	5,047	547
Of which: internal model approach (IMA)	10,380	12,936	830
<b>Large exposures</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Operational risk</b>	<b>58,786</b>	<b>55,865</b>	<b>4,703</b>
Of which: basic indicator approach	—	—	—
Of which: standardized approach	58,786	55,865	4,703
Of which: advanced measurement approach	—	—	—
<b>Amounts below the thresholds for deduction</b>	<b>21,032</b>	<b>22,382</b>	<b>1,683</b>
<b>Total</b>	<b>578,930</b>	<b>562,580</b>	<b>46,314</b>

Includes equities under the PD/LGD approach  
Fully loaded CRR, phased-in IFRS 9

## Capital requirements by geographical distribution

EUR million

	TOTAL	EUROPE	o/w: Spain	o/w: United Kingdom	NORTH AMERICA	o/w: US	SOUTH AMERICA	o/w: Brazil	Rest of the world
<b>Credit risk (excluding CRR)</b>	<b>38,238</b>	<b>22,926</b>	<b>9,688</b>	<b>5,824</b>	<b>6,831</b>	<b>5,205</b>	<b>7,592</b>	<b>5,103</b>	<b>888</b>
<b>Of which: internal ratings-based (IRB) approach <sup>A</sup></b>	<b>16,684</b>	<b>13,090</b>	<b>5,789</b>	<b>4,320</b>	<b>1,320</b>	<b>540</b>	<b>1,530</b>	<b>1,241</b>	<b>745</b>
Central governments and central banks	—	—	—	—	—	—	—	—	—
Institutions	776	454	92	95	138	67	54	11	131
Corporates	9,428	6,392	3,586	1,306	1,175	470	1,472	1,229	389
of which: Corporates – Specialized Lending	1,345	1,029	362	426	205	56	62	—	49
of which: Corporates – SME	1,593	1,427	1,226	55	108	1	57	54	1
Retail – Secured by real estate SME	232	231	222	1	1	1	—	—	1
Retail – Secured by real estate non-SME	3,650	3,636	884	2,515	3	2	2	—	8
Retail – Qualifying revolving	373	372	98	216	—	—	—	—	—
Retail – Other SME	578	564	388	—	—	—	1	—	14
Retail – Other non-SME	1,562	1,356	435	187	2	—	1	—	203
Other non-credit-obligation assets	85	85	85	—	—	—	—	—	—
<b>Of which: standardized approach (SA)</b>	<b>21,032</b>	<b>9,193</b>	<b>3,208</b>	<b>1,530</b>	<b>5,548</b>	<b>4,667</b>	<b>6,146</b>	<b>3,918</b>	<b>144</b>
Central governments or central banks	2,073	1,058	903	24	160	—	846	776	9
Regional governments or local authorities	25	8	4	—	—	—	16	13	—
Public sector entities	29	4	—	—	15	15	10	—	—
Multilateral Development Banks	—	—	—	—	—	—	—	—	—
International Organizations	—	—	—	—	—	—	—	—	—
Institutions	367	113	59	17	123	114	126	103	6
Corporates	3,450	1,760	329	491	692	674	975	399	23
Retail	7,868	2,973	324	516	2,631	2,280	2,167	1,714	96
Secured by mortgages on immovable property	2,614	860	180	54	792	586	962	279	1
Exposures in default	957	370	156	76	281	241	304	196	3
Items associated with particular high risk	111	13	2	2	10	10	88	16	—
Covered bonds	13	13	—	12	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	20	8	1	—	6	—	—	—	5
Collective investments undertakings (CIU)	17	17	6	—	—	—	—	—	—
Equity exposures under risk weighted approach	12	5	—	—	—	—	7	—	—
Other items	3,475	1,992	1,245	337	838	746	644	421	1
<b>Of which: Equity IRB</b>	<b>1,358</b>	<b>1,358</b>	<b>1,358</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Simple method	178	178	178	—	—	—	—	—	—
Under the PD/LGD method	428	428	428	—	—	—	—	—	—
Equity exposures under risk weighted approach	753	753	753	—	—	—	—	—	—
<b>Counterparty credit risk (CRR)</b>	<b>1,254</b>	<b>959</b>	<b>701</b>	<b>125</b>	<b>114</b>	<b>67</b>	<b>177</b>	<b>127</b>	<b>4</b>
Of which: standardized approach	1,091	832	670	78	104	60	153	111	2
Of which: internal model method (IMM)	—	—	—	—	—	—	—	—	—
Of which: CCPs	21	14	1	8	1	1	6	6	—
Of which: CVA	141	113	31	38	9	5	17	9	2
<b>Settlement risk</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Securitization exposures in banking book (after cap)</b>	<b>741</b>	<b>383</b>	<b>114</b>	<b>131</b>	<b>345</b>	<b>310</b>	<b>11</b>	<b>11</b>	<b>2</b>
<b>Market risk</b>	<b>1,378</b>	<b>1,027</b>	<b>653</b>	<b>14</b>	<b>11</b>	<b>11</b>	<b>340</b>	<b>96</b>	<b>—</b>
Of which: standardized approach	547	433	60	14	11	11	103	96	—
Of which: internal model method (IMM)	830	594	594	—	—	—	237	—	—
<b>Operational risk</b>	<b>4,703</b>	<b>2,001</b>	<b>834</b>	<b>546</b>	<b>1,170</b>	<b>879</b>	<b>1,149</b>	<b>622</b>	<b>383</b>
Of which: basic indicator approach	—	—	—	—	—	—	—	—	—
Of which: standardized approach	4,703	2,001	834	546	1,170	879	1,149	622	383
Of which: advanced measurement approach	—	—	—	—	—	—	—	—	—
<b>Amounts below the thresholds for deduction and other non-deducted investments (subject to 250% risk weight)</b>	<b>1,683</b>	<b>907</b>	<b>765</b>	<b>24</b>	<b>102</b>	<b>—</b>	<b>673</b>	<b>656</b>	<b>—</b>
<b>Total</b>	<b>46,314</b>	<b>27,296</b>	<b>11,991</b>	<b>6,641</b>	<b>8,471</b>	<b>6,472</b>	<b>9,270</b>	<b>5,960</b>	<b>1,277</b>

Note: Fully-loaded CRR, phased-in IFRS 9.

A. Including counterparty credit risk.

This table presents the main changes to capital requirements by credit risk:

### Credit risk capital movements <sup>A</sup>

EUR million

	RWAs	Capital requirements
<b>Starting amount (31/12/2020)</b>	<b>487,745</b>	<b>39,020</b>
Asset size	(15,078)	(1,206)
Model updates	4,407	353
Regulatory	14,058	1,125
Acquisitions and disposals	(1,729)	(138)
Foreign exchange movements	11,482	919
Other	—	—
<b>Ending amount (31/12/2021)</b>	<b>500,884</b>	<b>40,071</b>

A. Includes capital requirements from equity, securitizations and counterparty risk (excluding CVA and CCP).

Credit risk RWAs increased EUR 13,139 million in 2021, largely driven by exchange rate movements (+EUR 11,482 million), mainly due to the USD's and GBP's appreciation. Regulatory changes (methodology and policy) related to the implementation of the New Default Definition and changes in the calculation of counterparty credit risk exposure (SA-CCR) were also significant in the year. In models, changes arose from TRIM (Targeted Review of Internal Models) in Low Default Portfolios. In terms of asset size, of note was the impact from securitizations the Group carried out in the year.

In short, from a qualitative point of view, Santander's solid capital ratios are consistent with its business model, balance sheet structure and risk profile.

### Economic capital

Economic capital is the capital required to cover risks from our activity with a certain level of solvency. We measure it through an internal model. To calculate the required capital, we determine our solvency level based on our long-term rating target of 'A' (above the Kingdom of Spain's); this represents a confidence level of 99.95% (above the regulatory level of 99.90%).

Our economic capital model measurements cover all significant risks incurred in our activity (concentration risk, structural interest rate risk, business risk, pensions risk, deferred tax assets (DTAs), goodwill and others that are beyond the scope of regulatory Pillar 1). It also considers diversification, which is key to determining and understanding our risk profile and solvency in view of our multinational operations and businesses.

Our total risk and related economic capital are less than the sum of the risk and capital of all individual units combined. Because our business spans several countries in a structure of separate legal entities with different customer and product segments and risk types, our earnings are less vulnerable to adverse situations for any given market, portfolio, customer type or risk. Despite increasing economic globalization, economic cycles are not the same and countries are affected differently. This has been evident during the covid-19 pandemic. Groups with a global presence tend to have stabler results and are more resistant to the eventual market or portfolio crises which translates into lower risk.

In contrast to regulatory criteria, we consider certain intangible assets, such as DTAs or goodwill, to retain value, even in a hypothetical resolution, owing to the geographic structure of our subsidiaries. Thus, we can value assets and estimate their unexpected loss and capital impact.

Economic capital is an essential tool for internal management and the development of our strategy, assessing solvency and managing portfolio and business risk. As such, it is a key part of the Supervisory Review and Evaluation Process (SREP).

Regarding Basel Pillar 2, we use our economic model for the internal capital adequacy assessment process (ICAAP). We plan business progression and capital needs under a central scenario and alternative stress scenarios to make sure we meet our solvency objectives even in adverse scenarios.

Economic capital derived metrics help us assess risk-return objectives, price operations based on risk, determine how economically viable projects are, and value country units and business lines to fulfil our overriding objective of maximizing shareholder value.

As a homogeneous risk measure, we can use economic capital to explain how we distribute risk throughout Santander, bringing together different activities and risk types under a single metric.

Given its relevance to internal management, Santander includes several economic capital-derived metrics from both a capital needs and a risk-return point of view, within a conservative risk appetite framework established at both Group and country unit level.

Required economic capital in December 2021 amounted to EUR 60,900 million. Compared to the available economic capital base of EUR 88,790 million, this implies a capital surplus of EUR 27,890 million.



### Reconciliation of economic and regulatory capital

EUR million

	2021	2020
Net capital and issuance premiums	55,683	60,557
Reserves and retained profits	62,357	52,902
Valuation adjustments	(34,395)	(35,345)
Minority interests	6,736	6,669
Prudential filters	(637)	(592)
Other <sup>A</sup>	(954)	2,126
<b>Base economic capital available</b>	<b>88,790</b>	<b>86,316</b>
Deductions	(16,922)	(16,337)
Goodwill	(13,911)	(13,621)
Other intangible assets	(2,153)	(2,090)
DTAs	(859)	(627)
Other	535	(580)
<b>Base regulatory (FL CET1) capital available<sup>B</sup></b>	<b>72,402</b>	<b>69,399</b>
Base economic capital available	88,790	86,316
Economic capital required <sup>C</sup>	60,900	60,386
Capital surplus <sup>D</sup>	27,890	25,931

A. Includes: deficit of provisions over economic expected loss, pension assets and other adjustments.

B. Including IFRS 9 transitional arrangements.

C. For a better comparison with regulatory capital, the differences in goodwill due to FX changes are included in the required economic capital. All figures according to EC 2021 methodology.

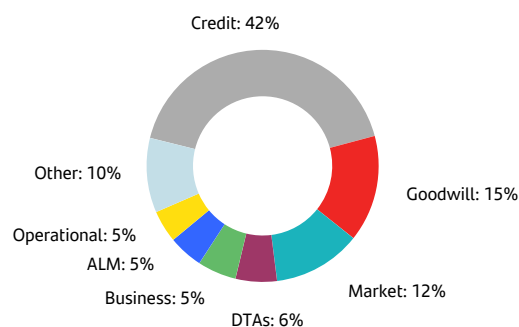
D. If we include the *pro forma* impact of the transactions announced in December 2021 (-16 bp impact on the Group's CET1), the economic capital base would be EUR 87,869 million and the excess capital EUR 26,969 million.

The main difference compared to regulatory CET1 is the treatment of goodwill, other intangible assets and DTAs; we consider them additional capital requirements rather than a deduction from available capital.

The charts below show Group's economic capital needs as at 31 December 2021, by region and risk type.

### Distribution of economic capital needs by type of risk

December 2021, %



Our distribution of economic capital among core business areas is an indication of our business and risk diversification. Europe accounted for 47% of capital needs; North America, 21%; South America, 22%; and Digital Consumer Bank (DCB) 9%.

Outside our operating areas, the Corporate Centre mainly takes on goodwill risk and structural exchange rate risk (from maintaining stakes denominated in currencies other than the euro in foreign subsidiaries).

The benefit from diversification included in the economic capital model, including intra-risks (largely similar to geographic diversification) and inter-risk diversification amounted to approximately 25-30%.

### Distribution of Group economic capital needs by region and risk type

EUR million. December 2021

Group. Total requirements: 60,900									
Corporate Centre 16,042		Europe 21,242		North America 9,578		South America 9,872		DCB 4,166	
All risks:		All risks:		All risks:		All risks:		All risks:	
Goodwill	56%	Credit	49%	Credit	69%	Credit	56%	Credit	68%
Market	27%	Market	11%	Business	7%	Business	11%	Operational	7%
DTAs	15%	Pensions	10%	Fixed Assets	7%	DTAs	7%	Business	7%
Other	1%	ALM	9%	Operational	5%	Operational	7%	Fixed Assets	5%
		Others	21%	Others	12%	Others	18%	Others	12%

## RoRAC and Economic Value Added

Since 1993, Santander has been using risk-adjusted return (RoRAC) methodology to:

- calculate economic capital consumption and return for business units, segments, portfolios and customers, to optimize capital allocation;
- measure the management of units through budgetary monitoring of capital consumption and RoRAC; and
- analyse and set prices to make decisions on operations (approvals) and customers (monitoring).

The RoRAC methodology helps us compare the return on operations, customers, portfolios and businesses on a like-for-like basis. We can identify what is obtaining a risk-adjusted return higher than its cost of capital and thus align risk and business management to maximize economic value added (EVA), which is senior management's ultimate goal.

We regularly assess the level and progression of EVA and RoRAC across the Group. EVA is the profit generated above the cost of economic capital employed, and is calculated as follows:

**Economic Value Added = underlying consolidated profit – (average economic capital x cost of capital)**

We calculate profit by making the necessary adjustments to consolidated profit to eliminate factors outside the ordinary course of business and thus obtain each subsidiary's underlying result for the year.

Additionally, for internal management purposes, we analyse the impact of items that are not covered by our economic capital model but affect reserves without being included in the income statement.

The minimum return on capital a transaction must obtain is determined by the cost of capital (i.e. the minimum compensation required by shareholders). We calculate it by adding the premium shareholders demand to invest in Santander to the risk-free return. The premium depends essentially on the degree of volatility in our share price with respect to market performance. Santander's cost of capital in 2021 was 10.08% (compared to 12.00% in 2020 impacted by higher volatility stemming from the covid-19 crisis).

On top of reviewing the cost of capital every year, Santander's management also estimates a cost of capital for each business unit based on its features (under the philosophy that subsidiaries manage capital and liquidity autonomously) to determine whether each business is capable of creating standalone value.

If a transaction or portfolio obtains a positive return, it contributes to our profits, but only adds economic value when that return exceeds the cost of capital.

This table shows economic value added and RoRAC of the Group's main geographical segments at the end of December 2021. The following figures reflect the economic value added in all the main segments:

### Economic Value Added <sup>A</sup> and RoRAC

EUR million

Main segments	2021		2020	
	RoRAC	EVA	RoRAC	EVA
Europe	12.1%	495	6.2%	(1,401)
North America	34.3%	2,380	15.0%	187
South America	30.4%	1,744	26.1%	883
Digital Consumer Bank	33.2%	1,149	33.8%	972
<b>Total Group</b>	<b>15.0%</b>	<b>3,327</b>	<b>8.5%</b>	<b>(2,529)</b>

A. The economic value added is calculated with the cost of capital of each unit. The Group's total RoRAC includes the operating units and the Corporate Centre, reflecting the Group's economic capital and its return.

## Capital planning and stress tests

Capital stress test exercises are a key tool in banks' dynamic assessments of their risks and solvency. These forward-looking reviews are based on unlikely-but-plausible macroeconomic and idiosyncratic scenarios. They require robust planning models that can translate the effects defined in the projected scenarios to elements that affect solvency.

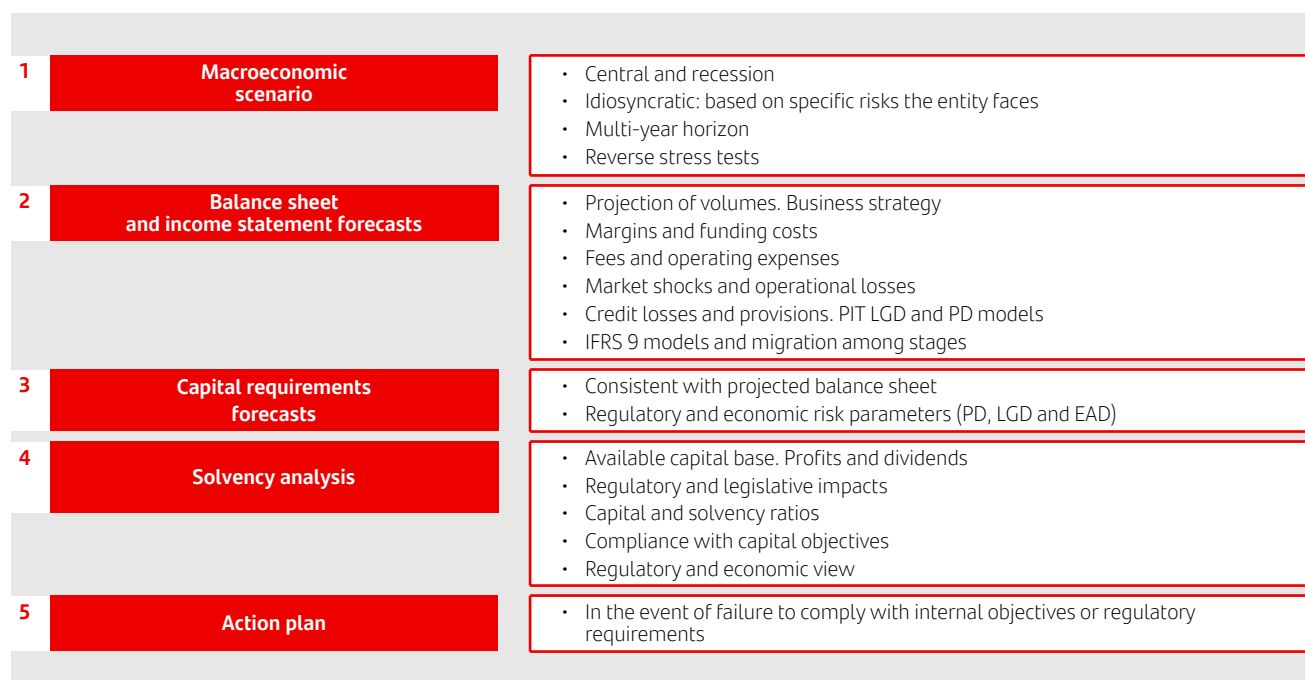
The ultimate aim of these exercises is to thoroughly assess risks and solvency to determine capital requirements if a bank fails to meet its regulatory and internal capital objectives.

Internally, Santander has a capital stress and planning process to respond to various regulatory exercises which is a key tool integrated within management and strategy.

Internal capital stress and planning aims to ensure sufficient current and future capital, even in unlikely-but-plausible economic scenarios. We estimate results in various business environments (including severe recessions as well as expected macroeconomic environments), based on our initial situation (financial statements, capital base, risk parameters and regulatory and economic ratios) to determine our solvency ratios, usually for a three-year period.

Planning offers a comprehensive view of our capital for the analysed period and in each of the defined scenarios based on regulatory capital and economic capital metrics.

This chart describes the structure in place:



This structure supports the ultimate objective of capital planning, by making it an important strategic element that:

- ensures current and future solvency, even in adverse economic scenarios;
- ensures comprehensive capital management, analyses specific effects and integrates them into strategic planning;
- enables a more efficient use of capital;
- helps formulate capital management strategy; and
- facilitates communication with the market and supervisors.

Senior managers are fully involved in and closely supervise capital planning under a framework that ensures proper governance and is subject to the robust levels of challenge, review and analysis.

In capital planning and stress analysis exercises, calculating the required provisions under these stress scenarios is key, especially to cover losses on credit portfolios. It is particularly important for income statement forecasts under adverse scenarios.

To calculate loan-loss provisions of the credit portfolio, we use a methodology that ensures provisions cover loan losses projected by internal expected loss models, based on exposure at default (EAD), probability of default (PD) and loss given default (LGD parameters), at all times.

In 2018, we adapted this methodology to incorporate changes brought in by the new IFRS 9 regulations, with models to calculate balances by stages (S1, S2, S3) as well as the movements between them and the loan-loss provisions in accordance with the new standards.

Our capital planning and stress analysis culminate with an analysis of solvency under various scenarios over a set period to measure capital adequacy and ensure we meet all internal capital and regulatory requirements.

Should we fail to meet our capital objectives, we would draw up an action plan with the measures needed to attain the minimum capital desired. We analyse and quantify those measures as part of internal exercises even if we don't need to use them as we exceed the minimum capital thresholds.

Santander carries out its internal stress and capital planning transversally throughout the Group, at the consolidated and local level. Our country units use it as an internal management tool, particularly to respond to local regulatory requirements.

Since the beginning of the economic crisis in 2008, we have undergone eight external stress tests. All proved our strength and solvency in the most extreme and severe macroeconomic scenarios showing that, owing to our business model and geographic diversification, we would still be capable of generating a profit for shareholders while satisfying the most demanding regulatory requirements.

We have also conducted internal stress tests every year since 2008 as part of our ICAAP (Basel Pillar 2). Every test has proven our capacity to confront the most difficult exercises on a global and local level. These capital planning processes are carried out using shared tools throughout the Group.

Due to the special situation resulting from the covid-19 crisis, capital planning capacities and stress tests have allowed us to analyse various pandemic scenarios and ensure capital adequacy under the various possible scenarios derived from the crisis.

In 2021, we incorporated the analysis of the potential impact of climate risks (transition risk and physical risk) into the internal stress exercises in addition to being expressly considered in the definition of macroeconomic scenarios, in line with industry best practices and supervisory expectations.

### ECB/EBA 2021 stress test

In July 2021, the European Banking Authority (EBA) published the results of the stress tests carried out on the European Union's 50 leading banks. As in the previous exercise, it did not impose any minimum capital threshold to pass, rather the final results represent an additional variable for the ECB to determine each bank's minimum capital requirement (as part of the Supervisory Review and Evaluation Process - SREP). This exercise included two macroeconomic scenarios (base and adverse), taking the banks' end-2020 balance sheet positions as a starting point, with a

three-year time horizon (finishing in 2023). The very improbable adverse scenario considers a sharp deterioration in the macroeconomic environment and financial markets in Europe and the other countries where we operate. For example, the simulation included a cumulative fall in GDP of 3.6%, the impact of an increase in unemployment to 12.1% and a cumulative decline in housing prices of 16.1% in 2023 for the eurozone as a whole.

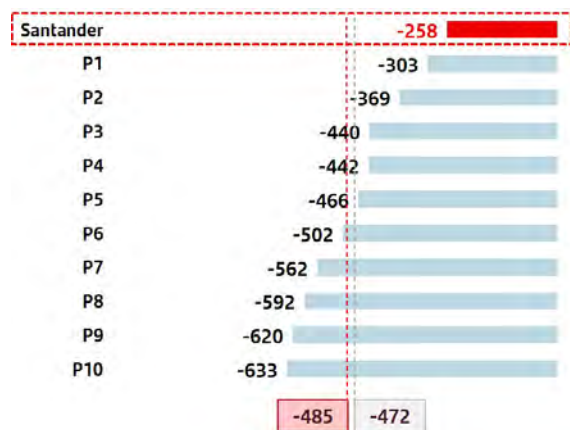
In the adverse scenario, Santander destroyed the least capital among its peers. Our fully-loaded CET1 capital ratio fell 258 basis points (vs the system average of -485 basis points) from 11.89% in 2020 to 9.31% in 2023.

Under the base scenario, Santander also generated the most capital among its peers.

We also generated more profit than our peers and we were the only bank not to incur a cumulative loss over the three-year horizon. In short, we are more resilient than our peers in Europe due to our highly recurrent revenue and profit, a testimony to the strength of our business model and diversification.

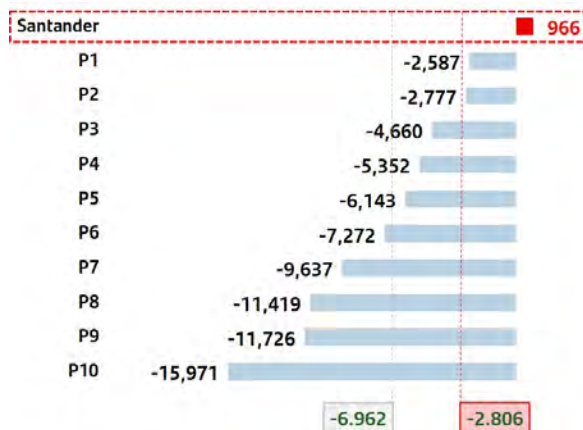
### Fully-loaded ratio 2020 vs. 2023

Adverse scenario. Basis points



### Profit after tax (accumulated 3 years)

Adverse scenario. EUR million



Peer average

System

## Total Loss Absorbing Capacity (TLAC) and Minimum Required Eligible Liabilities (MREL)

In November 2015, the FSB published the TLAC term sheet based on the previously published principles for crisis management frameworks. It aims to ensure global systemically important banks (G-SIBs) will have the capacity to absorb losses and recapitalize as required to maintain critical functions during and immediately after resolution proceedings without compromising customer funds, public funds or financial stability.

The TLAC term sheet requires each G-SIB to have an individually set minimum TLAC level which is the greater of (a) 16% of risk-weighted assets from 1 January 2019 and 18% from 1 January 2022, or (b) 6% of the Basel III Tier 1 leverage ratio exposure measure from 1 January 2019, and 6.75% from 1 January 2022.

Some jurisdictions have already transposed the TLAC term sheet into law (as is the case in Europe via the CRR 2 and BRRD 2, and in the US); however, other jurisdictions where we operate (e.g. Brazil), have yet to do so.

In Europe, the final texts of CRR 2 and BRRD 2, which amend the resolution framework, were published in June 2019. One of the main objectives of this revision was to implement the TLAC requirement in Europe.

The CRR 2, which came into force in June 2019, dictates the 16%/18% minimum requirement for G-SIBs as set in the TLAC term sheet. It must be made up of subordinated liabilities (with the exception of a percentage of senior debt - 2.5%/3.5%).

As of 31 December 2021, the TLAC of the resolution group headed by Banco Santander, S.A. stood at 26.86% of risk-weighted assets and 11.83% of the leverage ratio exposure.

The BRRD 2 was transposed into law in Spain in 2021.

G-SIBs also have a Pillar 2 requirement in addition to the minimum CRR requirement, owing to the MREL methodology in the BRRD 2.

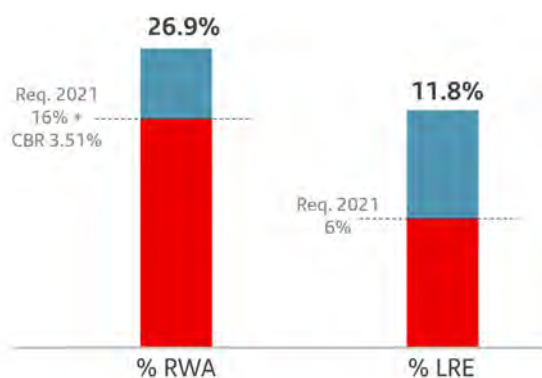
In December 2021, Banco de España formally communicated the (binding) MREL requirement for the Banco Santander, S.A. Resolution Group (sub-consolidated), which needed be met from 1 January 2022. It was set at highest of 29.85% of the Resolution Group's RWAs<sup>1</sup> and 13.82% of the Resolution Group's leverage ratio exposure, based on 31 December 2019 data.

As of 31 December 2021, Banco Santander, S.A. met its MREL requirements having issued eligible instruments during the year. Specifically, 35.35% of RWAs and 18.47% of the leverage ratio exposure respectively.

Of the total MREL requirement, a minimum subordination level was fixed as the larger of 9.04% of RWAs and 6.02% of the leverage ratio exposure. However, the Resolution Group's minimum subordination is determined by TLAC, not by MREL, as the TLAC subordination requirement is greater. In December 2021, the MREL subordinated figures of the Resolution Group headed by Banco Santander, S.A. were 32.22% and 16.83% respectively.

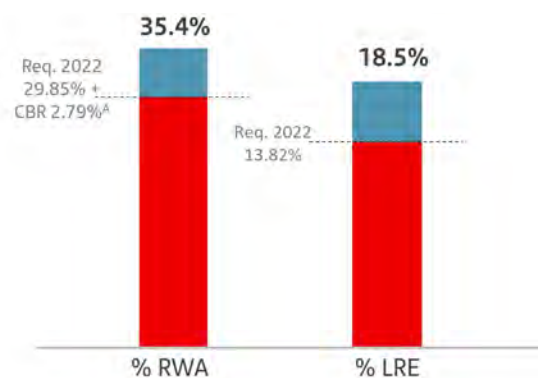
### TLAC 2021

%



### MREL 2021

%



A. The CBR of 2.79% is obtained by multiplying the 3.51% CBR by the post-MPE Add-on RWAs and dividing the result by the Resolution Group's total RWAs

1. When the requirement is set in terms of RWAs, the CET1 used to cover the combined capital buffers cannot be used to comply with the MREL requirement at the same time.

### 3.6 Special Situations and Resolution

#### Corporate Special Situations and Resolution Framework, crisis management, Recovery and Resolution Planning

This section summarizes the main developments in preparing for a potential crisis, focusing on governance mechanisms, activities to prepare and strengthen recovery plans, and initiatives relating to preparing and improving resolvability plans.

##### Corporate framework for special situations and resolution

As part of our corporate frameworks that regulate the internal governance of important matters that impact the Group's risk profile, we updated the special situations and resolution corporate framework. The board of directors ratified it in Q2 2021. Following corporate level approval, country units now adhere to the updated framework. The process of transposing and adapting the documents of the new crisis management and resolution regulatory tree to local requirements is being finalized.

The lessons learned so far from the covid-19 pandemic moved us to make significant changes to the framework which focus on: (i) early and pre-emptive identification of threats; (ii) coordination mechanisms between units; (iii) simplifying governance procedures; and (iv) promoting a crisis management preparation culture internally, including preparation for resolution and improving resolvability.

The framework enables our units, to comprehensively aggregate and clearly interpret the different mechanisms for monitoring, escalating and managing both financial and non-financial events as well as governance. It helps link the different action plans (e.g. contingency plans, business continuity plans, recovery plan, etc.).

We base crisis governance on a collective decision-making model, that is organized into and operated under severity levels to facilitate flexibility and sequential decision-making. For example, in the most severe stages of a hypothetical crisis, the "Gold" committee, composed of the Group's main executives and supported by the "Silver" forum and other specialist "Bronze" teams, would be the leading decision-making body.

Furthermore, the framework aims to encourage (i) the sharing of best practices between units; and (ii) the continuous collaboration between local and corporate teams (including coordination in the recovery and resolution planning phases) to continue developing our management and control model in the most effective way.

Several training exercises were carried out in 2021, both at corporate and local levels, facilitating the necessary dissemination of the changes and collaborative discussions.

Regardless of these changes, Santander's defining characteristic is its pursuit of excellence. We regularly run simulation and testing exercises to be better prepared for stress situations and to reinforce the collective awareness and culture of the crisis management function.

##### Recovery plans

**Context.** Santander drew up its twelfth corporate recovery plan in 2021. It sets out measures we have at our disposal to survive a very severe crisis without extraordinary public aid, in accordance with article 5.3 of the BRRD.

Its primary aim is to test the feasibility, effectiveness and credibility of recovery measures as well as the suitability of the recovery indicators and their respective thresholds, above which decision-making will be escalated to cope with stress situations.

It sets out macroeconomic and financial crisis scenarios which incorporate idiosyncratic and/or systemic events that could lead the Group to trigger the plan.

The recovery plan should not be considered an instrument separate from our structural mechanisms to measure, manage and supervise risk. It includes the risk appetite framework (RAF), the risk appetite statement (RAS), the risk profile assessment (RPA), the business continuity management system (BCMS), the internal assessments of capital and liquidity (ICAAP and ILAAP) and other tools. It is also integrated into the Group's strategic plans.

**Progress in 2021.** In May, continuing the operational relief offered last year in response to the covid-19 pandemic, the ECB asked banks to focus efforts on the parts of the recovery plan that are essential for crisis preparation and management. We therefore focused on governance and escalation, indicators, measures and scenarios. With regard to the scenarios, the ECB asked banks to develop two stress scenarios related to the possible economic and financial consequences of the covid-19 pandemic: one systemic and one including an idiosyncratic element.

Like last year, and despite this easing of requirements, we prepared a comprehensive plan in 2021 that comprised all chapters and fully covered all of the ECB's recommendations. Specifically:

- New special situations and resolution framework.
- Two new indicator categories (macroeconomic and market) and new capital and asset quality indicators.
- New chapter explaining the Group's subsidiary model and how local crises in the subsidiaries could affect the consolidated capital and liquidity ratios.
- Three stress scenarios to cover a wider range of crisis situations: idiosyncratic, regional and combined (global crisis plus idiosyncratic).
- Greater detail on total recovery capacity including a thorough analysis showing recovery capacity in each time bucket.
- New recovery measures.

The **key takeaways** from our review of the 2021 corporate plan were:

- No material interdependencies between country units.
- Ample recovery capacity in all scenarios from available measures, with an advantage in a recovery situation afforded by our geographic diversification model.
- Sufficient capacity in each subsidiary to emerge from a recovery situation on its own, strengthening capital and liquidity within our autonomous subsidiaries model.
- Sufficiently robust governance to manage financial and non-financial stresses varying in nature and intensity.
- Amid a serious financial or solvency event, no one subsidiary is important enough to trigger the corporate plan by causing the severest recovery indicator levels to be breached.

These factors prove our business model and geographic diversification strategy, based on autonomous subsidiaries, remain firm in a recovery situation.

**Regulation and governance.** Santander's recovery plan complies with EU regulations and follows the non-binding recommendations of the Financial Stability Board (FSB) and other international bodies.

We submitted our latest plan to the Single Supervisory Mechanism in October 2021; the EBA has six months to make formal considerations.

It comprises the corporate plan (Banco Santander, S.A.) and local plans for the UK, Brazil, Mexico, the US, Germany, Argentina, Chile, Portugal, Norway and a recovery plan summary for Poland (as required). All country units (except Santander Chile and SC Germany) must draw up a local plan in compliance with local regulations and corporate requirements.

Though the board of Banco Santander, S.A. approves the corporate plan, relevant content and figures are previously submitted to and discussed by the Silver forum, Gold committee, risk control committee and the risk supervision, regulation and compliance committee. Local plans are approved by corresponding local bodies in coordination with the Group (as they are included in the corporate plan).

## Resolution plans

Santander cooperates with the relevant authorities to prepare resolution plans, providing them with all information they request. The members of the Crisis Management Group (CMG) upheld their decision on our Multiple Point of Entry (MPE) strategy<sup>1</sup> to be used in a hypothetical resolution.

This is based on our legal and business structure, organized into nine resolution groups that can be resolved independently without involving other parts of the organization.

Working meetings with the SRB and their communications (working priorities letters) confirmed that there are no impediments to the bank's resolvability. In fact, the SRB highlighted the significant progress the Group has made in recent years (especially in 2020 and 2021) to improve its resolvability.

In 2021, we prepared our first three-year multi-year plan. Banco Santander, S.A.'s board of directors approved it in February 2021. It set out the following actions:

**1) Ensure the bank establishes processes and develops capabilities to: (i) estimate liquidity needs for implementing the resolution strategy; (ii) duly provide information regarding the liquidity position in resolution; and (iii) identify and mobilize the available collateral to obtain funding during and after resolution.**

In 2021, we identified key liquidity entities (KLEs) that (i) provide liquidity to other entities in the Group; (ii) depend on the liquidity received from other entities in the Group; or (iii) perform liquidity management functions for the Resolution Group.

We also identified the key liquidity drivers in resolution, which are factors that could potentially trigger a substantial change or deterioration in the bank's liquidity position in resolution.

Finally, we developed a methodology to identify, process and analyse relevant data to estimate the liquidity position in resolution.

**2) Ensure information systems can quickly provide the high-quality information required in resolution.**

We continued to make our governance of information provided to the resolution authority for drawing up resolution plans stronger and more systematic, including the following projects in 2021:

1. Automation of Santander Consumer Finance's liability data report and additional liability report.
2. Automation of Banco Santander, S.A.'s TLAC/MREL reports.
3. Automated production of the necessary data to carry out a valuation exercise in resolution.
4. Automated production of the dataset for bail-in.

1. With the exception of Santander US whose resolution plans correspond to the individual entities.



**3) Guarantee operational continuity in resolution situations.**

In 2021, we identified essential services that support core business lines, as well as their operational assets and critical personnel. We also redrafted any service contracts that did not contain the operational continuity clause to include said clause.

We continued to work on making contingency plans for market infrastructure services more operational and executive.

**4) Foster a culture of resolvability.**

Santander continued to involve more senior managers in resolution planning. We escalated the multi-year plan, which includes the resolution work streams, to the board. We also presenting its progress to other high-level committees (such as the Gold committee, Silver forum, and other bodies). The board and senior management also received resolution training in 2021.

# 4. Financial information by segment

## 4.1 Description of segments

We base segment reporting on financial information presented to the chief operating decision maker, which excludes certain statutory results items that distort year-on-year comparisons and are not considered for management reporting. This financial information (underlying basis) is computed by adjusting reported results for the effects of certain gains and losses (e.g. capital gains, write-downs, impairment of goodwill, etc.). These gains and losses are items that management and investors ordinarily identify and consider separately to better understand the underlying trends in the business (see also [note 51.c](#) to the Santander financial statements).

Santander has aligned the information in this chapter with the underlying information used internally for management reporting and with that presented in the Group's other public documents.

Santander's executive committee has been selected to be its chief operating decision maker. The Group's operating segments reflect its organizational and managerial structures. The executive committee reviews internal reporting based on these segments to assess performance and allocate resources.

The segments are split by geographic area in which profits are earned and type of business. We prepare the information by aggregating the figures for Santander's various geographic areas and business units, relating it to both the accounting data of the business units integrated in each segment and that provided by management information systems. The same general principles as those used in the Group are applied.

On 9 April 2021, we announced that, starting and effective with the financial information for the first quarter of 2021, we would carry out a change in our reportable segments to reflect our new organizational and management structure.

These changes in the reportable segments aim to align the segment information with their management and have no impact on the Group's accounting figures.

### a. Main changes in the composition of Santander's segments made in April 2021

The main changes, which have been applied to management information for all periods included in the consolidated financial statements, are the following:

#### Primary segments

1. Creation of the new Digital Consumer Bank (DCB) segment, which includes:

- Santander Consumer Finance (SCF), previously included in the Europe segment, and the consumer finance business in the United Kingdom, previously recorded in the country.

- Our fully-digital bank Openbank and the Open Digital Services (ODS) platform, which were previously included in the Santander Global Platform segment.
2. Santander Global Platform (SGP), which incorporated our global digital services under a single unit, is no longer a primary segment. Its activities have been distributed as follows:
- Openbank and Open Digital Services (ODS), which, as mentioned above, are now included under the new Digital Consumer Bank reporting segment.
  - The business recorded in Global Payment Services (Merchant Acquiring, International Trade and Consumer) has been allocated to the three main geographic segments, Europe, North America and South America, with no impact on the information reported for each country.

#### Secondary segments

1. Creation of the PagoNxt segment, which incorporates simple and accessible digital payment solutions to drive customer loyalty and allows us to combine our most disruptive payment businesses into a single autonomous company, providing global technology solutions for our banks and new customers in the open market, and which has been structured into three businesses, previously included in SGP:
  - Merchant Acquiring: acquiring solutions for merchants.
  - International Trade: solutions for SMEs and companies operating internationally.
  - Consumer: payment solutions for individuals aimed at underbanked populations.
2. Annual adjustment of the perimeter of the Global Customer Relationship Model between Retail Banking and Santander Corporate & Investment Banking and between Retail Banking and Wealth Management & Insurance.
3. Elimination of the Santander Global Platform reporting segment:
  - Openbank and ODS are now recorded in the Retail Banking segment.
  - The remaining Santander Global Platform businesses form the new PagoNxt reporting segment.

The Group recasted the corresponding information of earlier periods considering the changes included in this section. As stated above, group consolidated figures remain unchanged.

## b. Current composition of Group segments

### Primary segments

This primary level of segmentation, which is based on the Group's management structure, comprises five reportable segments: four operating areas plus the Corporate Centre. The operating areas are:

**Europe:** which comprises all business activity carried out in the region, except that included in Digital Consumer Bank. Detailed financial information is provided on Spain, the UK, Portugal and Poland.

**North America:** which comprises all the business activities carried out in Mexico and the US, which includes the holding company (SHUSA) and the businesses of Santander Bank, Santander Consumer USA, the specialized business unit Banco Santander International, Santander Investment Securities (SIS) and the New York branch.

**South America:** includes all the financial activities carried out by Santander through its banks and subsidiary banks in the region. Detailed information is provided on Brazil, Chile, Argentina, Uruguay, Peru and Colombia.

**Digital Consumer Bank:** includes Santander Consumer Finance, which incorporates the entire consumer finance business in Europe, Openbank and ODS.

### Secondary segments

At this secondary level, Santander is structured into Retail Banking, Santander Corporate & Investment Banking (SCIB), Wealth Management & Insurance (WM&I) and PagoNxt.

**Retail Banking:** this covers all customer banking businesses, including consumer finance, except those of corporate banking which are managed through Santander Corporate & Investment Banking, asset management, private banking and insurance, which are managed by Wealth Management & Insurance. The results of the hedging positions in each country are also included, conducted within the sphere of their respective assets and liabilities committees.

**Santander Corporate & Investment Banking (SCIB):** this business reflects revenue from global corporate banking, investment banking and markets worldwide including treasuries managed globally (always after the appropriate distribution with Retail Banking customers), as well as equity business.

**Wealth Management & Insurance:** includes the asset management business (Santander Asset Management), the corporate unit of Private Banking and International Private Banking in Miami and Switzerland and the insurance business (Santander Insurance).

**PagoNxt:** this includes digital payment solutions, providing global technology solutions for our banks and new customers in the open market. It is structured in three businesses: Merchant Acquiring, International Trade and Consumer.

In addition to these operating units, both primary and secondary segments, the Group continues to maintain the area of **Corporate Centre**, that includes the centralized activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's assets and liabilities committee, as well as management of liquidity and of shareholders' equity via issuances.

As the Group's holding entity, this area manages all capital and reserves and allocations of capital and liquidity with the rest of businesses. It also incorporates goodwill impairment but not the costs related to the Group's central services (charged to the areas), except for corporate and institutional expenses related to the Group's functioning.

The businesses included in each of the primary segments in this report and the accounting principles under which their results are presented here may differ from the businesses included and accounting principles applied in the financial information separately prepared and disclosed by our subsidiaries (some of which are publicly listed) which in name or geographical description may seem to correspond to the business areas covered in this report. Accordingly, the results of operations and trends shown for our business areas in this document may differ materially from those of such subsidiaries.

As described in section [3 'Group financial performance'](#) above, the results of our business areas presented below are provided on the basis of underlying results only and generally including the impact of foreign exchange rate fluctuations. However, for a better understanding of the changes in the performance of our business areas, we also provide and discuss the year-on-year changes to our results excluding such exchange rate impacts.

The statements included in this section regarding Santander's competitiveness and that of its subsidiaries have been produced by the Group based on public information (corporate websites of competing entities and information published by national banking institutions).

## 4.2 Summary of the Group's main business areas' income statements

2021

Main items of the underlying income statement

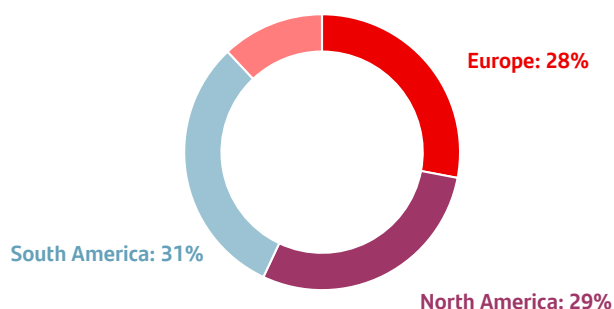
EUR million

Primary segments	Net interest income	Net fee income	Total income	Net operating income	Profit before tax	Underlying profit attributable to the parent
<b>Europe</b>	<b>10,952</b>	<b>4,344</b>	<b>16,312</b>	<b>7,994</b>	<b>4,411</b>	<b>2,978</b>
Spain	3,994	2,482	7,006	3,666	1,307	957
United Kingdom	4,431	434	4,863	2,271	2,197	1,570
Portugal	751	441	1,341	778	714	482
Poland	1,049	518	1,646	984	380	161
Other	726	470	1,455	294	(187)	(191)
<b>North America</b>	<b>8,204</b>	<b>1,644</b>	<b>10,986</b>	<b>6,019</b>	<b>4,664</b>	<b>3,053</b>
US	5,405	782	7,383	4,187	3,652	2,326
Mexico	2,799	828	3,579	1,936	1,126	835
Other	0	34	23	(104)	(114)	(108)
<b>South America</b>	<b>11,323</b>	<b>3,721</b>	<b>15,353</b>	<b>9,974</b>	<b>6,249</b>	<b>3,328</b>
Brazil	7,875	2,728	10,884	7,649	4,618	2,325
Chile	1,984	394	2,457	1,514	1,158	637
Argentina	1,070	420	1,393	587	311	274
Other	395	179	620	223	162	92
Digital Consumer Bank	4,281	821	5,339	2,934	2,213	1,332
Corporate Centre	(1,390)	(28)	(1,586)	(1,931)	(2,277)	(2,037)
<b>TOTAL GROUP</b>	<b>33,370</b>	<b>10,502</b>	<b>46,404</b>	<b>24,989</b>	<b>15,260</b>	<b>8,654</b>
<b>Secondary segments</b>						
Retail Banking	31,389	7,010	39,636	22,443	13,265	7,869
Corporate & Investment Banking	2,995	1,750	5,692	3,392	3,251	2,167
Wealth Management & Insurance	375	1,276	2,166	1,264	1,247	907
PagoNxt	1	493	495	(178)	(227)	(253)
Corporate Centre	(1,390)	(28)	(1,586)	(1,931)	(2,277)	(2,037)
<b>TOTAL GROUP</b>	<b>33,370</b>	<b>10,502</b>	<b>46,404</b>	<b>24,989</b>	<b>15,260</b>	<b>8,654</b>

### Underlying profit attributable to the parent distribution <sup>A</sup>

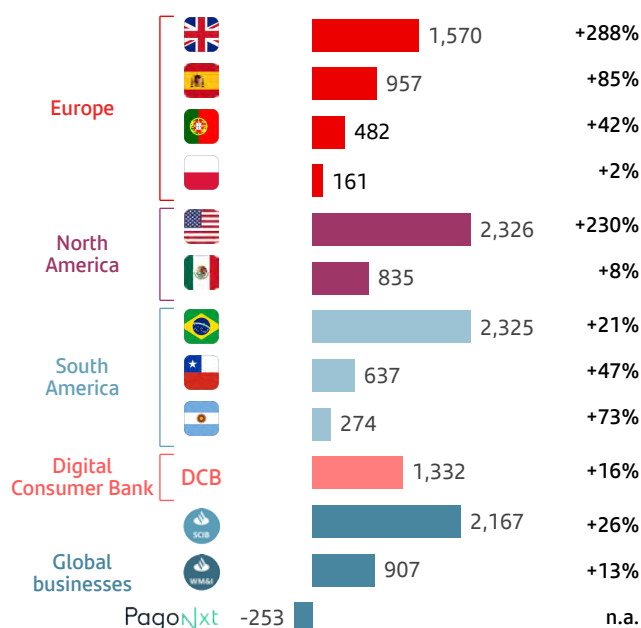
2021

Digital Consumer Bank: 12%



### Underlying profit attributable to the parent. 2021

EUR million. % change YoY in constant euros



A. As a % of operating areas. Excluding the Corporate Centre.

## 2020

## Main items of the underlying income statement

EUR million

Primary segments	Net interest income	Net fee income	Total income	Net operating income	Profit before tax	Underlying profit attributable to the parent
<b>Europe</b>	<b>9,911</b>	<b>4,000</b>	<b>14,673</b>	<b>6,398</b>	<b>2,084</b>	<b>1,413</b>
Spain	3,957	2,314	6,782	3,175	715	517
United Kingdom	3,504	494	3,980	1,441	508	391
Portugal	787	388	1,296	706	483	338
Poland	1,037	452	1,524	895	370	162
Other	627	351	1,090	181	8	5
<b>North America</b>	<b>8,470</b>	<b>1,684</b>	<b>11,034</b>	<b>6,357</b>	<b>2,307</b>	<b>1,472</b>
US	5,645	889	7,360	4,281	1,250	731
Mexico	2,825	772	3,651	2,098	1,082	762
Other	1	24	23	(23)	(25)	(20)
<b>South America</b>	<b>10,723</b>	<b>3,589</b>	<b>14,868</b>	<b>9,511</b>	<b>5,267</b>	<b>2,907</b>
Brazil	7,625	2,824	10,866	7,325	4,045	2,113
Chile	1,787	335	2,263	1,363	785	432
Argentina	912	273	1,128	496	200	179
Other	399	158	611	327	238	183
<b>Digital Consumer Bank</b>	<b>4,263</b>	<b>771</b>	<b>5,166</b>	<b>2,837</b>	<b>1,929</b>	<b>1,133</b>
<b>Corporate Centre</b>	<b>(1,374)</b>	<b>(29)</b>	<b>(1,141)</b>	<b>(1,470)</b>	<b>(1,912)</b>	<b>(1,844)</b>
<b>TOTAL GROUP</b>	<b>31,994</b>	<b>10,015</b>	<b>44,600</b>	<b>23,633</b>	<b>9,674</b>	<b>5,081</b>

## Secondary segments

<b>Retail Banking</b>	<b>30,056</b>	<b>6,987</b>	<b>38,022</b>	<b>20,736</b>	<b>7,866</b>	<b>4,420</b>
<b>Corporate &amp; Investment Banking</b>	<b>2,918</b>	<b>1,542</b>	<b>5,332</b>	<b>3,294</b>	<b>2,689</b>	<b>1,798</b>
<b>Wealth Management &amp; Insurance</b>	<b>394</b>	<b>1,153</b>	<b>2,030</b>	<b>1,159</b>	<b>1,132</b>	<b>823</b>
<b>PagoNxt</b>	<b>(1)</b>	<b>362</b>	<b>356</b>	<b>(86)</b>	<b>(101)</b>	<b>(116)</b>
<b>Corporate Centre</b>	<b>(1,374)</b>	<b>(29)</b>	<b>(1,141)</b>	<b>(1,470)</b>	<b>(1,912)</b>	<b>(1,844)</b>
<b>TOTAL GROUP</b>	<b>31,994</b>	<b>10,015</b>	<b>44,600</b>	<b>23,633</b>	<b>9,674</b>	<b>5,081</b>

### 4.3 Primary segments



**António Simões**

Regional Head of Europe and  
CEO of Santander Spain



## Europe

Underlying attributable profit

EUR 2,978 Mn

“One Europe is about the fundamental transformation of our business. In 2021, we laid the foundations of that change and moving towards a common operating model”

#### Strategy

Our strategy in Europe is to maintain the focus on customer experience and service quality, while making the necessary **structural changes to develop a common operating model** across the region

#### Business performance<sup>1</sup>

**Customer funds rose 6%** driven by retail deposits and mutual funds. **Loans and advances to customers were 3% higher**, with strong growth in individuals

#### Results<sup>1</sup>

**Underlying attributable profit rose 110%** year-on-year underpinned by NII and net fee income growth, efficiency improvement and the lower cost of credit

1. Excluding the exchange rate impact.

#### Strategy

The aim of One Santander is to create a better bank in Europe, that our customers and employees feel a deep connection with while delivering sustainable value to shareholders and society by:

- serving our customers better to grow our business, focusing on capital efficient opportunities (including SCIB and WM&I), simplifying our mass market value proposition, improving customer experience and engaging with PagoNxt;
- making headway with our omnichannel strategy, redefining customer interaction, accelerating our digital agenda and maintaining close relationships through our teams; and
- creating a common operating model, to serve our businesses through shared technology platforms and automated operations, leveraging shared services. This should enable us to become a more agile organization with one aligned team across Europe.

Our ongoing structural changes aim to deliver revenue growth and significant cost savings, resulting in positive operating jaws. This is consistent with the commitment we announced in October 2020 to deliver EUR 1 billion additional cost savings by 2022 year end.

In 2021, we laid the foundations for our transformation, through structure simplification, the convergence to our Everyday Banking value proposition across the countries, the launch of a common app in Spain, Portugal and Poland, and started to offer homogeneous payment products. As a result, we:

- improved service quality, reflected in achieving a top 3 NPS position in our core markets;
- increased revenue and improved efficiency 5.4 pp year-on-year; and
- doubled Europe's return on equity in terms of underlying RoTE, from 3.6% in 2020 to 7.4% in 2021.

The **strategy by country in 2021** was as follows:

## Spain

Economic activity picked up in the year, particularly reflected in individuals.

- In individuals, higher demand for loans and positive trends in protection insurance drove commercial dynamism. All of this was channelled through our mobile app.
- In corporates, performance was largely shaped by ICO loans granted in 2020, coupled with the integrated management platform for Next Generation EU programmes (available to customers and non-customers).
- In Private Banking, we consolidated our position as market leader through customer attraction and digital interaction.
- In SCIB, we maintained our leadership in volumes and number of transactions in the main league tables.

In line with One Santander's regional strategy in Europe, we continued to make headway with business transformation and product simplification.

We incorporated the more than 3,000 MAPFRE points of sale where our products are offered. We also launched the rebranding campaign *Por ti, los primeros*.

We continued to push our digital transformation process and develop new product, services and process capabilities. Our app for individuals, rolled out in 2020, led the *Aqmetrix* ranking and was successfully exported to other countries such as Portugal and Poland. We also launched a new app and website for businesses, including a wider service proposition. As a result, *Euromoney* named us Best Digital Bank in Western Europe in 2021.

## United Kingdom

We are delivering on our strategy, focusing on improved customer loyalty.

We continued to enhance our operating model, by digitalizing the business while simplifying its structure and automating processes.




- The number of digital customers reached 6.6 million, up 6% year-on-year.
- We completed the transfer of the wholesale banking business out of the UK perimeter, separating it from the retail banking and asset management businesses.
- We enhanced our Breakthrough initiative that helps companies (mainly SMEs) to re-focus their strategies post-pandemic.




We continued to run One Santander-related projects, such as the Transformation for Success programme aimed at boosting productivity.

## Portugal

Against a backdrop of economic recovery, our main priority was to increase customer loyalty by:

- implementing a more agile and simpler commercial and digital transformation plan, that built on already high customer satisfaction;
- strengthening our position as the leading bank in lending, following double-digit growth in new mortgage lending and above-market increases in corporate loans, while maintaining high credit quality; and
- maintaining our leadership in efficiency without compromising quality customer service.

 Loyal Customers		Europe	Spain	UK	Portugal	Poland
 Thousands		10,286	2,772	4,389	860	2,266
 YoY		+3%	+5%	-1%	+6%	+7%

 Digital Customers		Europe	Spain	UK	Portugal	Poland
 Thousands		16,216	5,412	6,635	1,000	2,998
 YoY		+6%	+3%	+6%	+7%	+9%





## Poland

Following the impact of the covid-19 crisis in 2020, we focused on returning to pre-pandemic activity levels and to position our brand as one of the banks with the highest customer satisfaction ratings, ranking top 3 in 2021 by NPS.

- We focused on digitalizing and simplifying our catalogue, which reduced the number of marketed products, processes and the complexity of the organization.
- In retail banking, we streamlined online processes for account openings which led to an increase in the number of digital customers (+9% year-on-year) and record new lending.
- In business and corporate banking, we focused on the development of the iBiznes24 app (launched in 2020) and used it to build a common platform to offer comprehensive services to our customers.

### Business performance

The individuals segment recorded sharp growth in all countries. In line with our strategy, WM&I also grew strongly and CIB increased its revenue at double-digit rates.

Loans and advances to customers were 5% higher year-on-year. In gross terms, excluding reverse repurchase agreements and the exchange rate impact, they rose 3%. We saw broad-based growth in all countries especially in mortgages in the UK, individuals in Spain, mortgages and SMEs in Portugal and individuals, SMEs and CIB in Poland.

Customer deposits increased by 6% compared to 2020. Excluding repurchase agreements and the FX impact, they were up 5%, as demand deposits offset the drop in time deposits.

Mutual funds grew 16% in constant euros, with broad-based growth across countries, with customer funds up 6% (excluding the exchange rate impact).

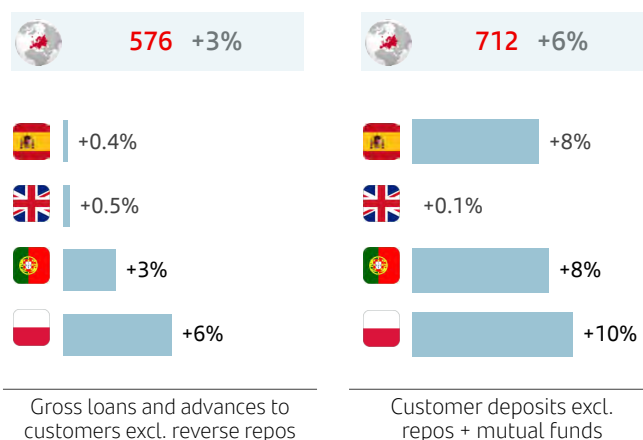
### Results

Underlying attributable profit in 2021 was EUR 2,978 million (28% of the Group's total operating areas). Compared to 2020, underlying attributable profit was up 111% and +110% in constant euros, as follows:

- Total income was up 11%, with increased net interest income (+10%), benefitting from higher volumes, interest rate management and the positive TLTRO impact. Net fee income rose 9% spurred by greater commercial activity and business growth in WM&I and CIB.
- Despite inflation, increased activity and necessary investments in IT, significant restructuring efforts in all countries and cost control left administrative expenses and amortizations flat by year-end. As a result, net operating income rose 24%.
- Net loan-loss provisions dropped 32% compared to 2020, due to covid-19-related provisions recorded in 2020 that were partially released in 2021.
- Other gains (losses) and provisions increased 32%, mainly due to Swiss franc mortgage-related charges.

### Europe. Business performance.

December 2021. EUR billion and YoY % change in constant euros



### Europe. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	16,312	14,673	+11	+11
Expenses	-8,318	-8,275	+1	0
<b>Net operating income</b>	<b>7,994</b>	<b>6,398</b>	<b>+25</b>	<b>+24</b>
LLPs	-2,294	-3,344	-31	-32
PBT	4,411	2,084	+112	+111
<b>Underlying attrib. profit</b>	<b>2,978</b>	<b>1,413</b>	<b>+111</b>	<b>+110</b>

Detailed financial information in section [4.6 'Appendix'](#)

**Spain**Underlying attributable profit  
EUR 957 Mn**Business performance**

Activity in the individuals segment picked up in 2021, especially in residential mortgages (where we reached record highs in new lending), and in consumer credit (which recovered to pre-pandemic levels in Q2). As a result, we gained market share in both products.

In corporates, signs of recovery emerged in H2'21, with growth in working capital management (+15% year-on-year). However, the demand for loans slumped due to the extensions of grace periods in ICO funding and expectations regarding the Next Generation EU funds.

In transactional products, we gained significant market share and expanded our customer base in PoS, which was reflected in a 44% increase in turnover compared to the previous year. Both credit and debit card turnover rose 17% year-on-year.

Loans and advances to customers rose 0.4% versus 2020. In gross terms, excluding reverse repurchase agreements, growth was also 0.4%, driven by individuals and institutions.

Customer deposits increased 5% compared to 2020. Excluding repos, growth was also 5%. Mutual funds grew 16% driven by sustained net positive inflows in the last seven quarters. Customer funds rose 8%.

**Results**

Underlying attributable profit amounted to EUR 957 million (9% of the Group's total operating areas), 85% higher than 2020. By line:

- Total income increased 3% propelled by the positive performance in net fee income (+7%), driven by transactional fees, insurance, and mutual funds, and, to a lesser extent, net interest income (+1%), supported by TLTROs.
- Our cost reduction efforts continued to bear fruit (-7% year-on-year), improving the efficiency ratio by 5.5 pp to 47.7%. Net operating income increased 15%.
- Net loan-loss provisions fell 8%, which enabled the cost of credit to improve 9 bps year-on-year.
- Other gains (losses) and provisions increased due to higher operational risks and contingencies.

**Spain. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020 %
Revenue	7,006	6,782	+3
Expenses	-3,340	-3,607	-7
<b>Net operating income</b>	<b>3,666</b>	<b>3,175</b>	<b>+15</b>
LLPs	-1,833	-2,001	-8
PBT	1,307	715	+83
<b>Underlying attrib. profit</b>	<b>957</b>	<b>517</b>	<b>+85</b>

Detailed financial information in section [4.6 'Appendix'](#)**United Kingdom**Underlying attributable profit  
EUR 1,570 Mn**Business performance**

We delivered a very strong performance in 2021 against a challenging backdrop. Our strategy remains focused on customer loyalty, simplification, improved efficiency and sustainable growth, while delivering outstanding customer experience. We are transforming the business to meet changing customer needs and delivering on our purpose to help people and businesses prosper.

The increasing use of digital channels is demonstrated by our retention of 72% of refinanced mortgage loans thanks to new digital retention journeys, and we opened 90% of new current accounts and 98% of credit cards through digital channels. We also transformed our ways of working and reduced our head office and branch property estate.

Strong mortgage growth, with GBP 7.5 bn net mortgage lending (GBP 30.7 bn of gross new lending) in a buoyant housing market. This performance was not reflected in total lending balances due to the transfer of the CIB business to the London branch. In gross terms excluding repos and the FX impact, loans and advances to customers were 0.5% higher.

Customer deposits rose 5%. Excluding repurchase agreements and the exchange rate impact, customer deposits and total customer funds saw no material change. Mutual funds were 6% higher.

**Results**

Underlying attributable profit was EUR 1,570 million in 2021 (15% of the Group's total operating areas), four times that of 2020. In constant euros, growth was 288%, as follows:

- Total income was up 18%, driven by net interest income growth (+22%) from increased lending volumes and lower cost of funding.
- Administrative expenses and amortizations dropped 1%, due to efficiency savings from our transformation programme, offsetting ongoing investments in IT and the business, as well as costs related to greater activity. As a result, net operating income was up 52%.
- We recorded a net credit impairment write-back of EUR 245 million, due to the improved economic outlook and partial release of covid-19 provisions from 2020.
- The negative impact from other gains (losses) and provisions increased compared to 2020, owing to legal contingencies.

**United Kingdom. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020 %	% excl. FX
Revenue	4,863	3,980	+22	+18
Expenses	-2,592	-2,539	+2	-1
<b>Net operating income</b>	<b>2,271</b>	<b>1,441</b>	<b>+58</b>	<b>+52</b>
LLPs	245	-677	—	—
PBT	2,197	508	+332	+318
<b>Underlying attrib. profit</b>	<b>1,570</b>	<b>391</b>	<b>+301</b>	<b>+288</b>

Detailed financial information in section [4.6 'Appendix'](#)

**Portugal**Underlying attributable profit  
EUR 482 Mn**Business performance**

Our digitalization-led transformation strategy was reflected in the number of digital customers (+7%). The simplification of our processes and commercial proposition drove double-digit growth in new mortgage lending and above-market increases in corporate loans, reaching new lending market shares greater than 20%.

Loans and advances to customers rose 3%, as well as in gross terms and excluding reverse repurchase agreements, while the NPL ratio improved to 3.4%.

We focused on ensuring the funds we capture are efficient in terms of costs and return on capital, recording strong growth in both mutual funds and insurance premiums.

Customer deposits increased 6% boosted by the jump in demand deposits. Mutual funds grew 33%. As a result, customer funds increased 8% versus 2020.

**Results**

Underlying attributable profit amounted to EUR 482 million (5% of the Group's total operating areas), 42% more year-on-year, backed by our efficiency (42%) and improved cost of credit.

- Total income was up 3%, underpinned by net fee income (+14%) that was boosted by transactional fees, insurance and mutual funds, and ALCO portfolio sales.
- We continued to implement our operating model transformation plan and improve the productivity of our network, leading to a 5% reduction in administrative expenses and amortizations. As a result, net operating income rose 10%.
- Credit quality improvement enabled loan-loss provisions to fall to EUR 38 million, driving the cost of credit to a low of 9 bps.
- Other gains (losses) and provisions amounted to a loss of -EUR 26 million compared to -EUR 29 million in 2020.

**Portugal. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020 %
Revenue	1,341	1,296	+3
Expenses	-563	-590	-5
<b>Net operating income</b>	<b>778</b>	<b>706</b>	<b>+10</b>
LLPs	-38	-193	-80
PBT	714	483	+48
<b>Underlying attrib. profit</b>	<b>482</b>	<b>338</b>	<b>+42</b>

Detailed financial information in section [4.6 'Appendix'](#)**Poland**Underlying attributable profit  
EUR 161 Mn**Business performance**

In 2021, we focused on recovering pre-pandemic levels. We rapidly enhanced our digital capabilities, regaining the third position in NPS, and aligned our commercial proposition with our customers' needs.

Loans and advances to customers rose 6%. In gross terms, excluding reverse repurchase agreements and exchange rate impact, growth was also 6%, driven by retail, where we hit record highs in mortgage sales, digital loans, bancassurance and SME lending. In CIB, we consolidated our market leadership as one of the country's preferred banks for executing capital market transactions.

Customer deposits increased 9% compared to 2020, +10% excluding repos and the exchange rate impact. Demand deposits spiked in wholesale banking, individuals and SMEs. Mutual fund growth remained positive, boosting growth in customer funds (+10% in constant euros).

**Results**

Underlying attributable profit amounted to EUR 161 million (2% of the Group's total operating areas). Compared to 2020, profit dropped 1% but grew 2% in constant euros, as follows:

- Total income was 11% higher driven by transactional and WM&I fee income, and net interest income, as NII pressures eased following interest rate hikes in Q4.
- Administrative expenses and amortizations were up 8% affected by high inflation and costs related to the rebound in activity. Net operating income rose 13%.
- Loan-loss provisions plummeted, which enabled cost of credit to improve.
- The negative impact from other gains (losses) and provisions (including the charges related to Swiss franc mortgages which distort the year-on-year comparison) increased 113% to -EUR 404 million.

**Poland. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020 %	% excl. FX
Revenue	1,646	1,524	+8	+11
Expenses	-663	-629	+5	+8
<b>Net operating income</b>	<b>984</b>	<b>895</b>	<b>+10</b>	<b>+13</b>
LLPs	-200	-330	-39	-38
PBT	380	370	+3	+6
<b>Underlying attrib. profit</b>	<b>161</b>	<b>162</b>	<b>-1</b>	<b>+2</b>

Detailed financial information in section [4.6 'Appendix'](#)



Héctor Grisi Checa

Regional Head of North America and  
CEO of Santander México

## North America

Underlying attributable profit

EUR 3,053 Mn

"We provide a full range of financial services with particular focus on retail, private and corporate banking"

### Strategy

In North America, the Group's strategy is to accelerate profitable growth in the region, increase **collaboration between countries**, create a joint value proposition and implement local priorities

### Business performance <sup>1</sup>

**Customer funds** surged 9% boosted by retail and corporate deposits in the US and mutual funds. **Loans and advances to customers increased 3%**, driven by overall growth in Mexico and in auto in the US

### Results <sup>1</sup>

**Underlying attributable profit surged 109%** year-on-year, driven largely by higher revenue in the US and lower LLPs in the region

1. Excluding the exchange rates impact.

### Strategy

In North America, our aim is to create a joint value proposition that boosts profitable growth in the region by leveraging the US's and Mexico's individual strengths and the Group's global digital platforms.

In 2021, we continued with our strategy to deploy capital to the most profitable businesses.

- In Q1, the Group announced its intention to repurchase the outstanding c. 8.3% stake in Santander México it did not own. This transaction closed in Q4 with the Group having paid MXN 5.17 bn for Santander México shares and USD 138.5 million for its ADSs acquired in this operation, increasing its stake by 4.5% to 96.2%.
- In Q2, BSI completed the acquisition of the Miami office of Crédit Agricole's global wealth management company.
- In Q3, SHUSA entered into a definitive agreement with SC USA to acquire the remaining common SC USA stock that it did not own. This deal closed on 31 January 2022.
- Also in Q3, SHUSA reached an agreement to acquire Amherst Pierpont Securities however it remains subject to completion, regulatory approval and other conditions.

Synergies between countries leverage joint initiatives in our regional strategy, including:

- further development of the USMX trade corridor. Revenue increased as CIB and Commercial Banking continued to deepen relationships with existing customers;
- boosting customer attraction and retention through loyalty strategies, while broadening our tailored products and services proposition for a more straightforward customer experience. We are also working on developing payment solutions for the USMX trade corridor and leveraging PagoNxt in line with the Group's strategy;
- improved customer interaction through new segmentation. In the US, we launched a value proposition aimed at servicing affluent customers. In Mexico, we implemented a service model for high-income customers differentiating the value proposition into three segments for a more customer-focused experience; and
- leveraging our regional capabilities to optimize expenses, improve profitability and increase collaboration between the US and Mexico and with the Group and continue reducing duplication in the operating model, platform and architecture.

We are also consolidating IT functions across the region to address common challenges, comprising operations (know-how, digitalization, hubs, front-office and back-office) and the integration of the regional IT platform, MEXUS.

Our **strategy by country in 2021** was as follows:



## United States

Santander US is positioned to maintain profitability above cost of capital across core businesses.

We are refocusing our operations in the US around our consumer franchise and fee-based businesses that benefit from the Group's connectivity or have a distinct competitive advantage.

The simplification of our US businesses anchored in disciplined expense management and capital allocation is leading us to discontinue our home lending product operations and to review certain C&I segments.

The strategic investments we announced in 2021 will improve our competitiveness and capture revenue and cost synergies (Amherst Pierpont and SC USA minorities).

Our strategy has four key pillars:

- **Simplify our operating model (One Santander US):** optimize our Auto business by integrating our origination and funding strategy across our bank and finance company platforms.
- **Drive organic growth across our profitable business lines:**
  - Consumer: Become a more relevant player in auto near-prime and prime segments through other OEM partnerships and relationships with large national dealer groups.
  - Commercial: Expand multifamily direct origination capabilities.
  - CIB: Deepen and up tier relationships with corporates; successfully integrate APS/SIS.
  - Wealth Management: Offshore market growth and capabilities to compete in the onshore market for Latin American individuals domiciled in the US.
- **Transformation of Consumer and Commercial Banking segments:** Enhance value proposition, customer service and digital capabilities and drive a customer-centric mindset across the organization to deliver customer growth and product penetration.
- **Long term optionality:** global Group initiatives to drive optionality in digital banking and payments.



## Mexico

### Multichannel innovation and digital channel momentum

continued to strengthen our value proposition and introduce new products and services, allowing us to improve our customer attraction and loyalty strategy.



- We continued to make headway with projects to generate synergies between commercial areas, in particular the project to increase profitability through the attraction of new payrolls and portabilities. We also improved our value proposition for collections and payments through new commercial alliances.
- Our digital focus prompted campaigns to promote the use of electronic signatures and digital cards, such as the Like-U credit card, which allows customers to make online purchases, tailor benefits and support social causes.
- We strengthening our real-time capabilities and implementing direct communication via WhatsApp to provide more direct and fluid digital customer assistance.
- We confirmed a deal to partner with Samsung and MasterCard and launched Members Wallet, which includes such services as financing, payments, and balance and movement queries.

In **mortgages**, we are one of the main originators due to our innovative products and services, such as Hipoteca Plus and Hipoteca Free. We were the first bank in Mexico to offer an interest rate tailored to the customer's profile.



In **auto**, we doubled our market share in one year. It exceeded 12% in December, due in part to a new alliance with Honda (together with the already established partnerships with Mazda, Tesla, Suzuki, Peugeot, among others).

In **SMEs**, partnerships with Contpaqi and Getnet helped attract digital customers. We launched Getnet's G Store, an initiative that enables SMEs to digitalize their business through an online store, developed by a professional team. We signed commercial alliances with the main chambers of commerce and launched TDC Agro which provides financing adapted to production cycles.

We continued to promote **financial inclusion and empowerment** through Tuiio. We were named World's Best Bank for Financial Inclusion by *Euromoney*.

 <b>Loyal customers</b>  Thousands YoY	North America	United States	Mexico
	4,226 +7%	373 +8%	3,853 +7%

 <b>Digital customers</b>  Thousands YoY	North America	United States	Mexico
	6,706 +9%	1,036 +2%	5,499 +10%

## Business performance

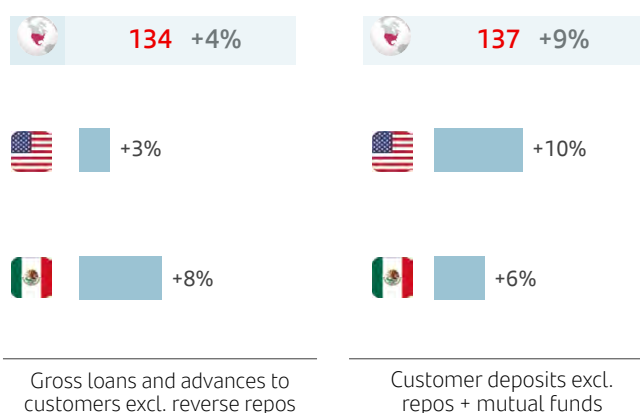
Loans and advances to customers grew strongly year-on-year, up 14%. In gross terms, excluding reverse repurchase agreements and the exchange rate impact, they rose 3% boosted by overall growth in Mexico (except SMEs) and lending growth in auto in the US. Without the impact of the Bluestem portfolio disposal, growth was 4%.

Customer deposits grew significantly compared to 2020 (+19%). Excluding repurchase agreements and the exchange rate impact, growth was 7% driven by retail and corporate deposits in the US and demand deposits in Mexico.

Mutual funds were up 15% in constant euros owing to our strong performances in both countries, reflecting the high level of liquidity in the market and success with our customer attraction and loyalty strategy. As a result, customer funds increased 9% in constant euros.

### North America. Business performance

December 2021. EUR billion and YoY % change in constant euros <sup>A</sup>



A. Excluding Bluestem portfolio impact.

## Results

Underlying attributable profit in 2021 was EUR 3,053 million (29% of the Group's total operating areas).

Compared to 2020, underlying attributable profit more than doubled; +107% in euros (+109% in constant euros). The year-on-year comparison by line was distorted due to the impact of the Bluestem portfolio and Puerto Rico disposals. Without them and the exchange rate impact, growth was 111%, as follows:

- Total income was up 5%. Net interest income grew 3% as price management and hedging in the US more than offset lower net interest income in Mexico due to the negative impact of lower interest rates and ALCO portfolio sales in 2020. Net fee income grew 6% and leasing results increased 48%;
- Administrative expenses and amortizations rose 10% primarily due to inflation and investments in digitalization. The efficiency ratio stood around 46%;
- As a result, net operating income increased 2%;
- Net loan-loss provisions plummeted 66% due to better market outlooks and a healthier operating environment, following heavy covid-19-related provisioning in 2020. The cost of credit improved notably to 0.93%, the NPL ratio stood at 2.42% and coverage was 135%; and
- Other gains (losses) and provisions were more negative in 2021 mainly due to the early amortization of buildings and integration costs in the US.

### North America. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	10,986	11,034	0	+1
Expenses	-4,967	-4,677	+6	+8
<b>Net operating income</b>	<b>6,019</b>	<b>6,357</b>	<b>-5</b>	<b>-4</b>
LLPs	-1,210	-3,917	-69	-68
PBT	4,664	2,307	+102	+105
<b>Underlying attrib. profit</b>	<b>3,053</b>	<b>1,472</b>	<b>+107</b>	<b>+109</b>

Detailed financial information in section [4.6 'Appendix'](#)

**United States**Underlying attributable profit  
EUR 2,326 Mn**Business performance**

Loans and advances to customers increased 14% compared to 2020. In gross terms and excluding reverse repurchase agreements and the impacts of both the exchange rate and the Bluestem portfolio disposal, they grew 3% year-on-year as lending growth in CIB and auto more than offset tepid corporate demand. Considering the Bluestem portfolio disposal impact, loans increased 2%.

Auto originations climbed 13% versus 2020 as our consumer business further leveraged its strong deposit base to support originations across the full credit spectrum.

Customer deposits soared 23% year-on-year. Excluding repurchase agreements and the exchange rate impact, customer deposits grew strongly (8% higher), boosted by retail deposits.

Mutual funds also increased 23% excluding the exchange rate impact.

**Results**

Underlying attributable profit in the year was EUR 2,326 million (22% of the Group's total operating areas), up 218% year-on-year in euros.

On a like-for-like basis, excluding the Puerto Rico and Bluestem portfolio disposals and the exchange rate impact, growth was 237%. By line, excluding divestiture impacts:

- Total income was up 11%. Though net interest income growth was impacted by loan volumes and interest rate pressure, it still increased 5% due to focused deposit price management. Net fee income increased 6% due to CIB and Wealth Management. Other operating income improved 53%, primarily due to outstanding auto lease results;
- Administrative expenses and amortizations increased 10% due to increased activity and investments in strategic initiatives (such as digital transformation), as well as a USD 60 million donation to our community foundation in Q3 and Q4. Excluding the latter, costs rose 8%, resulting in a 3 pp increase in operating leverage;
- Net loan-loss provisions plummeted 85% on the back of lower net charge-offs, better macroeconomic conditions and strong used vehicle prices;
- The negative impact of other gains (losses) and provisions increased by 31%, mainly due to the early amortization of buildings and integration costs.

**United States. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	7,383	7,360	0	+4
Expenses	-3,197	-3,079	+4	+8
<b>Net operating income</b>	<b>4,187</b>	<b>4,281</b>	<b>-2</b>	<b>+1</b>
LLPs	-419	-2,937	-86	-85
PBT	3,652	1,250	+192	+203
<b>Underlying attrib. profit</b>	<b>2,326</b>	<b>731</b>	<b>+218</b>	<b>+230</b>

Detailed financial information in section [4.6 'Appendix](#)**Mexico**Underlying attributable profit  
EUR 835 Mn**Business performance**

Loans and advances to customers increased 15% year-on-year. In gross terms and excluding reverse repurchase agreements and the exchange rate impact, they climbed 8% year-on-year, driven by loans to individuals (mortgages +13%, consumption +17% and cards +3%) as well as corporates (companies +4% and CIB +14% offset a 15% decline in SMEs).

Customer deposits grew 9% year-on-year. Excluding repos and the impact of exchange rates, they rose by 5%, propelled by demand deposits (+8%).

Mutual funds were up 8% in constant euros, a sign of the success of our customer attraction and loyalty strategies, as well as efforts to reduce the cost of funding.

**Results**

Underlying attributable profit in 2021 was EUR 835 million (8% of the Group's total operating areas), 10% higher than 2020. Excluding the exchange rate impact, it increased 8%. By line:

- Total income fell 4%, impacted by lower gains on financial transactions (sales of ALCO portfolios in 2020) and net interest income (-2%), the latter a result of interest rate cuts and lower ALCO portfolio volumes. Net fee income increased by 6%, mainly due to transactional fees and insurance;
- Administrative expenses and amortizations increased 4%, well below inflation, mainly driven by technology costs and the increase in amortizations;
- As we move to a more normal operating environment, net loan-loss provisions were down 21%, following the high levels recorded in 2020 due to the pandemic;
- Other gains (losses) and provisions improved 49% mainly due to the sale of foreclosed assets and lower contingencies charges.

**Mexico. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	3,579	3,651	-2	-4
Expenses	-1,643	-1,552	+6	+4
<b>Net operating income</b>	<b>1,936</b>	<b>2,098</b>	<b>-8</b>	<b>-9</b>
LLPs	-791	-979	-19	-21
PBT	1,126	1,082	+4	+2
<b>Underlying attrib. profit</b>	<b>835</b>	<b>762</b>	<b>+10</b>	<b>+8</b>

Detailed financial information in section [4.6 'Appendix](#)





Carlos Rey

Regional Head of South America



## South America

Underlying attributable profit

EUR 3,328 Mn

"We remain leaders in the region with a unique footprint that is bolstered by the Group's assets. We reaffirm our commitment to society, sustainability and shareholders by delivering profitable growth"

### Strategy

We continued to focus on delivering **profitable growth**, increasing customer **loyalty and acquisition**, and **controlling risks and costs** amid high inflation

### Business performance<sup>1</sup>

The innovation of our products and services led to **double-digit growth** in **loans and advances to customers** and **customer deposits**. We are rolling out **ESG** initiatives in the region

### Results<sup>1</sup>

**Underlying attributable profit rose 24% year-on-year**, driven by higher customer revenue, efficiency improvement and lower LLPs

1. Excluding the exchange rate impact.

### Strategy

South America continued to show high growth potential and opportunities for banking penetration and financial inclusion progress. In this environment, we remained focused on growing our customer base by leveraging business opportunities, exchanging successful experiences across countries and boosting digitalization and customer loyalty.

We continued to generate synergies across business units according to our strategy:

- In consumer finance, Santander Brasil exported its new and used vehicle financing platform to other countries. We are also rolling out Cockpit in Chile, Argentina and Peru. We also made progress in Argentina and Peru on expanding the digital strategy for consumer credit and used vehicle finance. Santander Chile recorded strong insurance sales and in Uruguay, our consumer finance entity exceeded pre-pandemic growth.
- In payment methods, we focused on e-commerce strategies and on instant domestic and international transfers. We continued to consolidate Getnet in Brazil and expand it to other countries, based on Santander Brasil's successful model; its market share is above 15% and in 33% e-commerce. In Chile, we reached 20% market share in PoS in just 10 months. We are also Argentina's second largest company in payments processing.

- We continued to make headway in joint initiatives between CIB and corporates to deepen relations with multinational clients. That helped boost loyalty and customer acquisition in every market, (especially in Chile and Argentina).
- We continued to promote inclusive and sustainable businesses, such as Prospera, our micro-credit programme in Brazil (with 708,000 active customers), Uruguay (10,000 entrepreneurs) and Colombia (in 167 municipalities). We also launched a microfinance entity, Surgir, in Peru; a green SME product in Chile and the first vehicle loan that seeks to offset emissions by acquiring neutral carbon credits in Uruguay. In Argentina, we partnered with a major energy provider on renewable energy financing.

As a result, we were named the Best Bank for Sustainable Finance in Latin America in 2021 by *Euromoney*. Santander Chile was recognized by *Global Finance* as Outstanding Leader in Sustainable Finance in Latin America (alongside Santander México).

Our customer service enhancement initiatives and our expanded product and service proposition earned us a top 3 NPS position in four markets, plus substantial customer growth in the region.

The main initiatives by **country** were:



## Brazil

The strong dynamics of our commercial proposition resulted in an all-time high customer acquisition in 2021. By segment:

- Excellent performance in mortgages, with a 24% new lending market share in home equity.
- In cards, we reached record-high customer acquisition and credit turnover (+28%).
- Santander vehicles remained a market leader with a 19% share, while Santander Auto reached 20% penetration in new insurance contracts.
- In SMEs, customer acquisition continued to grow. In wholesale banking we remained the only Global Bank, Infrastructure, Agribusiness and Equity Bank.
- In ESG, we channelled BRL 2.4 billion in solar energy loans, committed to be net zero by 2050 and continued to make progress with Plano Amazônia.

As a result, we were named Best Bank in Brazil in 2021 by *The Banker* and one of the 10 best companies to work for in Brazil by *GPTW* 2021, in the DESTAQUE 50+, Women, LGBTQI+ and Ethnic-Racial categories. We were also recognized as the most sustainable company by *Época Negócios* 360°, and as one of the companies that are effecting the most change in the world by *Fortune* magazine.



## Chile

We kept our place as the country's leading bank, in terms of assets and customers. Our strategy remained customer-centric, based on digital expansion and better customer service. As a result, we increased our market share in current accounts to 29% (+4 pp in the year), driven by Santander Life and Superdigital.

- Getnet, our acquiring business, continued to gain momentum, installing more than 68,000 PoS.



- Autocompara, driven by increased vehicle sales, achieved 17% growth in new lending.
- In ESG, Santander Chile became the first local bank to be certified by Chile's Ministry of Women and Gender Equality. We also launched the Green SME initiative, to help SMEs obtain ESG certification, and made progress with solar energy lending.
- As a result, we were named Best Bank in Chile by *Euromoney* and *The Banker* magazines and as the Best Latin American Bank for SMEs.





## Argentina

We remained focused on offering the best customers service, through innovation, improved customer care and process digitalization, carrying out the following initiatives:

- In digitalization, we rolled out Superdigital, which offers a fully-digital account. 78% of total sales were digital and our app was rated the best among banks on iOS and Android.
- In Santander Consumer, we launched Todo en Cuotas, a fully-digital platform to increase access to lending.
- We enhanced Getnet's value proposition (launched in Q4'20) and ranked second in payments processing.
- We continued to expand MODO, which promotes digital payments and financial inclusion in the country.
- In vehicles, we began to implement the CRM Cockpit system at dealerships.
- In ESG, we partnered with an energy supplier to support companies in their transition to cleaner, more sustainable energy.

 <b>Loyal customers</b>		South America	Brazil	Chile	Argentina	Others South America
	Thousands	10,625	8,037	832	1,614	141
	YoY	+23%	+26%	+9%	+19%	+27%

 <b>Digital customers</b>		South America	Brazil	Chile	Argentina	Others South America
	Thousands	23,771	18,351	2,017	2,730	502
	YoY	+17%	+18%	+30%	+3%	+12%



## Uruguay

We strengthened our leadership among privately-owned banks in Uruguay and expanded our insurance and card product proposition. We saw strong growth in vehicles through partnerships with dealers which enabled us to increase our market share by 10 pp, propelling us to top of the pile.

We made further progress with our digital and technological transformation strategy through Soy Santander, a fully-digital loyalty proposition for individuals.

In ESG, we launched the first vehicle loan, with carbon credits to offset the emissions of every car the bank finances. In addition, *GPTW* named us the Best Bank in the country.



## Peru

We continued to focus on global companies and the corporate segment, growing through more sophisticated products. In auto finance business continued to increase, reaching a 25% market share in new vehicles. We also acquired a market place for new and used vehicle financing.

We continued to digitalize our services and internal processes to enhance customer experience. We processed 88% of transactions digitally on our office banking platform and Nexus.



## Colombia

We continued to expand in Colombia. In CIB, we remained a market leader and participated in key transactions for nationwide development. In corporates, we further increased our portfolio (+36% year-on-year) aided by a joint CIB and corporate proposition.

In consumer finance, we grew our vehicle portfolio by 51% in the year. In ESG, we continued to expand Microcredit (launched in June 2021) which is already present in 167 towns and cities.

## Business performance

Loans and advances to customers climbed 9% year-on-year. Excluding reverse repos and the exchange rate impact, gross loans were 12% higher, with increases in all entities.

Customer deposits rose 8% in euros compared to 2020. Excluding repurchase agreements and the exchange rate impact, they rose 11% (increasing across all our markets) driven by demand and time deposits. As mutual funds were up 4% (excluding the FX impact), customer funds were 9% higher in constant euros.

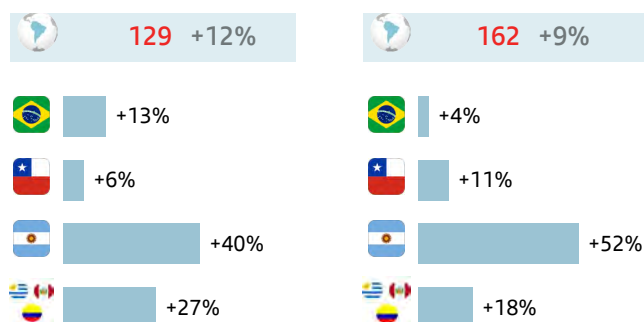
## Results

Underlying attributable profit in the year was EUR 3,328 million (31% of the Group's total operating areas), 14% higher compared to 2020 (24% excluding the exchange rate impact). By line:

- Total income increased 12% underpinned by strong customer revenue, driven by larger volumes and customer acquisition.  
Net interest income was 14% higher and net fee income increased by 13%, while gains on financial transactions remained stable.
- Administrative expenses and amortizations increased 8% at a slower pace than inflation. In real terms, costs were 5% lower, owing to management and greater productivity.
- Net loan-loss provisions dropped by 10% driven by covid-19-related provisions recorded in 2020. The cost of credit improved 72 bps to 2.60%.
- Losses in other income and provisions increased in the year, owing mainly to Argentina and Brazil.

## South America. Business performance

December 2021. EUR billion and YoY % change in constant euros



Gross loans and advances to customers excl. reverse repos

Customer deposits excl. repos + mutual funds

## South America. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	15,353	14,868	+3	+12
Expenses	-5,380	-5,357	0	+8
<b>Net operating income</b>	<b>9,974</b>	<b>9,511</b>	<b>+5</b>	<b>+13</b>
LLPs	-3,251	-3,924	-17	-10
PBT	6,249	5,267	+19	+28
<b>Underlying attrib. profit</b>	<b>3,328</b>	<b>2,907</b>	<b>+14</b>	<b>+24</b>

Detailed financial information in section [4.6 'Appendix](#)

**Brazil**Underlying attributable profit  
EUR 2,325 Mn**Business performance**

Our efforts to preserve business dynamism and improve service quality helped us rank first in NPS and hit an all-time high in customer acquisition in the year (5.1 million).

Loans and advances to customers increased 14% year-on-year. In gross terms, excluding reverse repos and the exchange rate impact, they rose 13%, underscored by individuals (+22%), consumer finance (+12%) and SMEs (+15%).

We continued to build the most complete auto platform in the market, reached record highs in customer acquisition figures in cards and hit a record in mortgage origination for individuals. In corporates, we expanded the range of available services in the app. GENT&, our artificial intelligence channel, registered more than 19 million interactions per month.

Customer deposits increased 6% in euros with respect to 2020. Excluding repos and the exchange rate impact, growth was 4% driven by the increase in demand deposits (+5%). As mutual funds were 3% higher excluding the exchange rate impact, customer funds rose 4% at constant exchange rates.

**Results**

Underlying attributable profit was EUR 2,325 million in 2021 (22% of the Group's total operating areas), 10% higher compared to 2020. Excluding the exchange rate impact, it was 21% higher. By line:

- Total income rose 10% boosted by 13% higher net interest income plus net fee income, benefitting from higher volumes and a larger customer base.
- Administrative expenses and amortizations had no material change through efficient cost management and higher productivity despite average inflation of 8%. The annual efficiency ratio improved to an all-time record of 29.7%, while net operating income was 14% higher.
- Net loan-loss provisions fell 1%, enabling cost of credit to improve 62 bps year-on-year to 3.73%. The NPL ratio was 4.88% and coverage stood at 111%.
- The negative impact of other gains (losses) and provisions rose due to higher tax provisions in 2021 and releases in 2020.

**Brazil. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	10,884	10,866	0	+10
Expenses	-3,236	-3,541	-9	0
<b>Net operating income</b>	<b>7,649</b>	<b>7,325</b>	<b>+4</b>	<b>+14</b>
LLPs	-2,715	-3,018	-10	-1
PBT	4,618	4,045	+14	+25
<b>Underlying attrib. profit</b>	<b>2,325</b>	<b>2,113</b>	<b>+10</b>	<b>+21</b>

Detailed financial information in section [4.6 'Appendix](#)**Chile**Underlying attributable profit  
EUR 637 Mn**Business performance**

Our strategy remained focused on boosting customer satisfaction through an enhanced digital banking proposition and the transformation of our commercial network, with new Work Café branches. Santander Life and Superdigital continued to grow steadily. Life customers rose nearly 100% in just one year, reaching close to 900,000. Superdigital has 257,000 customers and we maintained the best NPS in the country.

Loans and advances to customers decreased 4% year-on-year in euros. Excluding reverse repurchase agreements and the exchange rate impact, gross loans and advances to customers rose 6%. By segment, individuals grew 8% (boosted by mortgages), CIB by 17%, and corporates and institutions by 4%, which more than offset the fall in SMEs (-6%, affected by state-backed loans granted in 2020).

Customer deposits rose 4% year-on-year, up 15% excluding repurchase agreements and the exchange rate impact (on the back of demand deposits, +23%). Mutual funds fell 3% and customer funds rose 11% in constant euros.

**Results**

Underlying attributable profit was EUR 637 million in 2021 (6% of the Group's total operating areas), up 47% compared to 2020.

Excluding the exchange rate impact it was also 47% higher. By line:

- Total income rose 8%, spurred on by 10% higher net interest income, driven by inflation and margin management, and by the 17% increase in net fee income, mainly due to payment methods.
- Administrative expenses and amortizations rose 4% (below inflation) which resulted in 10% higher net operating income and an efficiency ratio of 38.4%.
- Net loan-loss provisions dropped 43% due to covid-19-related charges in 2020, placing the cost of credit at 0.85%. The NPL ratio improved to 4.43% and coverage was 63%.
- Other gains (losses) and provisions totalled -EUR 16 million (+EUR 16 million in 2020) due to contingencies in 2021.

**Chile. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	2,457	2,263	+9	+8
Expenses	-942	-900	+5	+4
<b>Net operating income</b>	<b>1,514</b>	<b>1,363</b>	<b>+11</b>	<b>+10</b>
LLPs	-341	-594	-43	-43
PBT	1,158	785	+48	+47
<b>Underlying attrib. profit</b>	<b>637</b>	<b>432</b>	<b>+47</b>	<b>+47</b>

Detailed financial information in section [4.6 'Appendix](#)

**Argentina**Underlying attributable profit  
EUR 274 Mn**Business performance**

We continued to make headway with our digitalization strategy and enhanced service quality, ranking second in NPS.

In 2021, we further expanded our product offering through different initiatives, such as the launch of Superdigital and the opening of the first agribusiness branch. We boosted Getnet's value proposition, reaching 60,000 active customers and rolled out Cockpit and Todo en Cuotas.

Our efforts to remain one of Argentina's top banks and a leader in deposit volumes were recognized by the market, as *The Banker* once again named us Best Bank in Argentina.

Loans and advances to customers rose 25%. Excluding reverse repurchase agreements and the exchange rate impact, gross loans and advances to customers were 40% higher driven by lending to individuals, SMEs and corporates.

Customer deposits increased 28% compared to 2020 in euros. Excluding repurchase agreements and the exchange rate impact, deposits grew 44% and mutual funds +90%.

**Results**

Underlying attributable profit was EUR 274 million in the year (3% of the Group's total operating areas).

Compared to 2020, underlying attributable profit was 53% higher. Excluding the exchange rate impact, it rose 73%. In particular:

- Total income grew 39% underpinned by net interest income (+32%) and 74% higher net fee income, driven by transactional fees. Gains on financial transactions were 168% higher.
- Administrative expenses and amortizations increased 44%, affected by inflation and the salary agreement. The efficiency ratio stood at 57.8% and net operating income rose 34%.
- Net loan-loss provisions fell 30% due to covid-19-related provisioning in 2020. The NPL ratio improved to 3.01%.
- Other gains (losses) and provisions increased their loss due to charges relating to downsizing.

**Argentina. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	1,393	1,128	+23	+39
Expenses	-805	-632	+27	+44
<b>Net operating income</b>	<b>587</b>	<b>496</b>	<b>+18</b>	<b>+34</b>
LLPs	-140	-226	-38	-30
PBT	311	200	+56	+76
<b>Underlying attrib. profit</b>	<b>274</b>	<b>179</b>	<b>+53</b>	<b>+73</b>

Detailed financial information in section [4.6 'Appendix](#)

**Uruguay**Underlying attributable profit  
EUR 110 Mn**Business performance**

In 2021, we strengthened our business model with new products, such as Soy Santander, the launch of Getnet and partnerships and growth in auto finance.

We also made progress with our technological transformation. We upgraded our channels and processes: we completed the roll out of Santander Lockers and our mobile branch saw great success.

These initiatives were reflected in volumes. Loans and advances to customers increased 17% year-on-year in euros. Excluding reverse repurchase agreements and the exchange rate impact, gross loans and advances to customers rose 14%, due to lending to individuals, (mainly due to auto segment growth well above market rates).

Customer deposits were 18% higher in euros compared to 2020. Excluding the exchange rate impact and repurchase agreements, they increased 15% backed by demand deposits (+20%). Mutual funds were up 22% excluding the exchange rate impact.

**Results**

In 2021, underlying attributable profit was EUR 110 million (1% of the Group's total operating areas).

Compared to 2020, it fell 18% in euros. Excluding the exchange rate impact, it declined 12%. By line:

- Total income declined 3% mainly due to the 6% lower net interest income, due heavily to lower interest rates, but partly offset by 9% growth in net fee income.
- Administrative expenses and amortizations rose 11%, affected by the salary agreement under the collective labour agreement signed in 2021, and by higher costs from business growth. The efficiency ratio stood at 47.4%.
- Net loan-loss provisions decreased 43%, due to covid-19-related provisioning in 2020. The cost of credit improved 111 bps to 1.19%, the NPL ratio stood at 2.65% and coverage at 107%.

**Uruguay. Underlying income statement**

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	342	380	-10	-3
Expenses	-162	-157	+3	+11
<b>Net operating income</b>	<b>180</b>	<b>223</b>	<b>-19</b>	<b>-13</b>
LLPs	-32	-61	-47	-43
PBT	145	161	-10	-3
<b>Underlying attrib. profit</b>	<b>110</b>	<b>134</b>	<b>-18</b>	<b>-12</b>

Detailed financial information in section [4.6 'Appendix](#)



## Peru

Underlying attributable profit  
EUR 63 Mn

### Business performance

Loans and advances to customers rose 23% year-on-year (+26% on a gross basis, excluding reverse repurchase agreements and the exchange rate impact). Customer deposits surged 18% (+20% excluding the exchange rate impact and repurchase agreements), with growth in both demand and time deposits.

### Results

Underlying attributable profit of EUR 63 million in 2021 was 18% higher year-on-year. Excluding the exchange rate impact, it soared 36%:

- Total income grew 32% mainly led by customer revenue and gains on financial transactions stemming from higher customer activity.
- Administrative expenses and amortizations were 35% higher, mainly driven by the launch of new businesses. Net operating income increased 31%.
- Net loan-loss provisions increased slightly, although the cost of credit remained low at 0.58%.



## Colombia

Underlying attributable profit  
EUR 25 Mn

### Business performance

Loans and advances to customers rose 38% year-on-year in euros. In gross terms, excluding reverse repurchase agreements and the exchange rate impact growth was 51%.

Customer deposits rose 28% in euros and 40% excluding the exchange rate impact and repurchase agreements, driven by 71% growth in demand deposits.

### Results

Underlying attributable profit of EUR 25 million in the year was 27% higher than in 2020. Excluding the exchange rate impact, underlying attributable profit rose 34%. By line:

- Total income grew 25% spurred by higher customer revenue.
- Administrative expenses and amortizations rose 30% and net operating income was 21% higher.
- Net loan-loss provisions fell 8% and the cost of credit declined year-on-year to 0.40%.

### Other South America. Underlying income statement

EUR million and % change

	Net operating income					Underlying attrib. profit			
	2021	2020	/ 2020			2021	2020	/ 2020	
			%	% excl. FX				%	% excl. FX
Peru	106	93	+14	+31	63	53	+18	+36	
Colombia	43	37	+15	+21	25	19	+27	+34	



Sebastian J. Gunningham

Chairman of Santander Consumer Finance  
and VP of Openbank

## Digital Consumer Bank

Underlying attributable profit  
EUR 1,332 Mn

"We aim to become the leading and largest digital consumer bank leveraging SCF's footprint in auto and consumer finance and profiting from Openbank's technology stack"

### Strategy

We prioritized the execution of our strategic operations to broaden our **business capabilities**, strengthen **leadership in global digital consumer finance** and generate significant growth for the Group

### Business performance<sup>1</sup>

We continued to manage the unstable environment. **New lending** was well above 2020 (+10% year-on-year), with strong new and used car volumes despite lockdowns and the semiconductor shortage. Demand gathered momentum as restrictions were lifted

### Results<sup>1</sup>

**Underlying attributable profit** stood at EUR 1,332 million (+16% year-on-year), driven by **revenue** growth (+3% year-on-year) and better cost of credit

1. Excluding the exchange rate impact.

### Strategy

**Digital Consumer Bank (DCB)** is the leading consumer finance bank in Europe. It combines Santander Consumer Finance's (SCF) scale and leadership in consumer finance and Openbank's digital capabilities.

**SCF** is Europe's consumer finance leader. It operates in 18 countries (16 in Europe, most recently in Greece, and presence in China and Canada) through more than 130,000 affiliated points of sale (mainly auto dealers and retail merchants). In addition, it is developing direct financing capabilities.

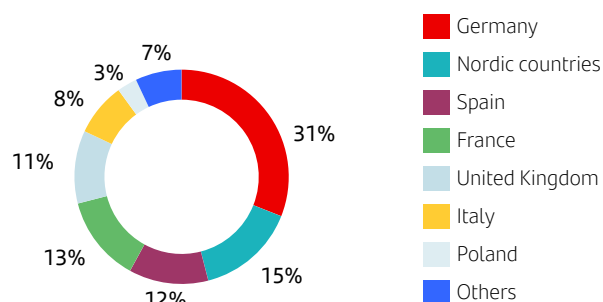
**Openbank** is the largest fully-digital bank in Europe. It offers current accounts, cards, loans, mortgages, a state-of-the-art robo-advisor service and open platform brokerage services. Operating in Spain, the Netherlands, Germany and Portugal, it is working on expansion across Europe and the Americas.

The aim of the Digital Consumer Bank concept is to generate synergies for both businesses:

- SCF will leverage Openbank's IT capabilities to further improve its digital operating system and service to its customers and partners (i.e. OEMs, car dealers, retailers and individuals) at a lower cost.
- Openbank will be able to offer retail banking products to SCF's large customer base to expand retail capabilities across Europe at lower customer acquisition costs.

### Loans and advances to customers by geographic area

December 2021





## Jose Luis de Mora

CEO SCF



"We are dedicated to supporting our partners and developing advanced technologies to give them a competitive edge, enabling us to become the top mobility financier and provider in Europe"

In 2021 management focused on:

- **Auto:** strengthening our auto financing leadership position by: renewing existing agreements and entering into new ones with car manufacturers, importers and dealers; reinforcing our leasing business; and developing new services (e.g. subscriptions) across our footprint. SCF also focused on providing advanced online financing capabilities to its partners to help boost their sales growth.

The Auto business closed 2 million new contracts in 2021. By the end of the year, it was managing a loan book of EUR 91 billion.

- **Consumer (Non-Auto):** gaining market share in consumer financing solutions by leveraging our position to grow in e-commerce, checkout lending and buy now, pay later (BNPL).

The Consumer (Non-Auto) business closed 6 million new contracts in 2021. As at 31 December 2021, it managed a loan book of EUR 20 billion.

In **retail**, we focused on improving digital capabilities to inspire loyalty among our 3.7 million retail (Openbank and SC Germany Retail) customers and to boost digital banking activity.

- **Cost reduction and simplification:** accelerating digitalization to transform the business and improve efficiency. The main drivers were:
  - organizational simplification by transitioning from banking licences to branches in the Western hub. SCF is already working through branches in Portugal, Belgium, the Netherlands and Greece;
  - streamlining IT by leveraging technology and data capabilities with digital banking apps (APIs) and a Banking as a Service (BaaS) model.

During 2021, DCB signed new agreements with retail distributors and manufacturers, supporting them in their commercial transformation and increasing the value proposition for end customers. We executed strategic deals to strengthen our presence in Europe in order to maintain our auto finance leadership and boost digital channels including:

- the acquisition of Sixt Leasing in Germany (renamed Allane);
- the kick off of the joint consumer finance venture with Telecom Italia Mobile in Italy, deploying a new consumer finance solution (for smartphones, modems, eWatches, etc.) which was used by more than 5,500 active retail points of sale and financed more than 600,000 TIM customers in 2021;

- SCF's acquisition in the second half of 2021 of a 14.7% stake in Vinturas Holding, a company with a blockchain-based technology solution which allows manufacturers to digitally track vehicles throughout the entire logistics process, supporting our focus on digitalization; and
- a non-binding agreement with Stellantis (the world's fourth largest car manufacturer) signed in December to renegotiate the terms of cooperation (binding contracts expected to be signed in Q1 2022). This new agreement will enable us to broaden our scope and be the captive financing partner for all Stellantis brands (Abarth, Alfa Romeo, Chrysler, Citroën, Dodge, DS, Fiat, Fiat Professional, Jeep, Lancia, Maserati, Opel, Peugeot, RAM and Vauxhall) in France, Italy, Spain, Belgium, the Netherlands, Poland and Portugal.

In 2021, the leasing business doubled and digital credit and leasing sales tripled. We also launched a subscription business in Spain, Germany and Norway (to be launched in our remaining countries in 2022-2023).

Moreover, we ran several cost reduction and income initiatives (pricing and funding costs) to compensate revenue lost during lockdowns.

To sustainably grow our business and contribute to the enhancement of the environment, we are developing new business solutions and partnerships to finance electric vehicles (we financed >113,000 fully-electric vehicles in 2021), electric chargers, solar panels, green heating systems, etc. while promoting carbon offset services (available in all countries). Additionally, we are an active issuer in the green bond market, with 5 issuances in 2021.

In comparison with our pan-European competitors, our higher volumes and better efficiency (in absolute terms and trends) enabled us to maintain our leadership position and high profitability, thereby increasing our competitive advantage.

Thanks to all these initiatives, DCB secured its great potential to continue enhancing the business and growing the 19 million active customer base.

SCF was once again named Top Employer in Austria, Belgium, Germany, the Netherlands and Poland recognizing its HR best practices. Additionally, *Great Place to Work* named SCF among the best 25 companies to work for in Italy, France and the UK.

Ezequiel Szafir  
CEO SCF and Openbank  
**Openbank**  
Grupo Santander

"In applying Openbank's IT and business philosophy, we will continue to exceed our customer loyalty and engagement targets, while ensuring an unbeatable time to market"

## Business performance

Though pandemic restrictions affected commercial activity in early 2021 (mainly in Central Europe), new business recovered to pre-covid-19 levels in Q2 (driven by Germany and the Nordics). The second half of the year was affected by the semiconductor shortage which impacted new car production and by the reintroduction of some travel and social restrictions near year end.

Despite those headwinds, new lending increased 10% year-on-year. We saw growth in all countries (except the Netherlands) and our business model, highly diversified by country with a critical mass in key products, supported further market share gains in Europe (approximately +50 bps).

The stock of loans and advances to customers increased 1% year-on-year. In gross terms, excluding reverse repos and the exchange rate impact, it fell 1% to EUR 117 billion.

Customer deposits increased 8% in euros and 7% excluding repos and the exchange rate impact. Mutual funds grew significantly. Our recourse to wholesale funding markets remained strong and diversified, with funding costs, rates and spreads remaining near all-time lows.

## Results

Underlying attributable profit in 2021 was EUR 1,332 million (12% of the Group's total operating areas).

Compared to 2020, underlying profit increased 18% in euros. In constant euros the increase was 16% as follows:

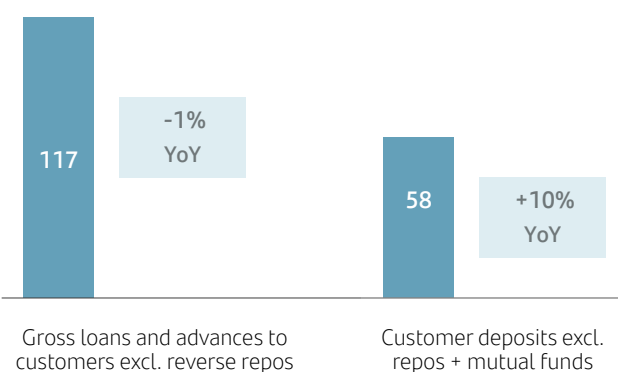
- Total income was up 3% driven by growth in net fee income (+6% due to increased new business volumes) and leasing. Net interest income fell slightly (-0.4%).
- Administrative expenses and amortizations increased 3% due to perimeter effects (Allane and TIMFIN joint ventures) and digital transformation investments. Net operating income increased 3% and the efficiency ratio stood at 45.0%.

Without perimeter effects, costs were flat year-on-year and 4% lower than in 2019.

- Net loan-loss provisions dropped 45% driven by covid-19 provisioning in 2020. Positive credit quality performance, with a 38 bp reduction in the cost of credit of credit to 0.46% and an NPL ratio of 2.13% (-4 bps year-on-year). Coverage remained high (108%).
- Negative impact from Other gains (losses) and provisions due to charges related to Swiss franc mortgages.
- The largest contribution to underlying attributable profit came from Germany (EUR 405 million), the UK (EUR 277 million), the Nordic countries (EUR 247 million), France (EUR 145 million) and Spain (EUR 133 million).

## Digital Consumer Bank. Activity

December 2021. EUR billion and % change in constant euros



## Digital Consumer Bank. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	5,339	5,166	+3	+3
Expenses	-2,405	-2,329	+3	+3
<b>Net operating income</b>	<b>2,934</b>	<b>2,837</b>	<b>+3</b>	<b>+3</b>
LLPs	-527	-957	-45	-45
PBT	2,213	1,929	+15	+14
<b>Underlying attrib. profit</b>	<b>1,332</b>	<b>1,133</b>	<b>+18</b>	<b>+16</b>

Detailed financial information in section [4.6 'Appendix](#)

## 4.4 CORPORATE CENTRE



### Corporate Centre

Underlying attributable profit

- EUR 2,037 mn

#### 2021 HIGHLIGHTS

- The Corporate Centre aims to aid the operating units by adding value and through oversight and control. It also performs financial and capital management functions.
- Underlying attributable loss was 10% higher than in 2020, mainly due to lower gains on financial transactions resulting from exchange rate differences that affected our core units' foreign currency hedges, as other results and provisions decreased year-on-year.

#### Strategy and functions

The Corporate Centre adds value to the Group by:

- strengthening the Group's governance with global control frameworks and supervision.
- fostering the exchange of best practices in cost management and generating economies of scale, that enable us to be one of the most efficient banks.
- helping launch global business projects that leverage our global footprint to develop solutions for all business units, generating economies of scale.

It also coordinates our relation with regulators and supervisors in the EU and performs the following financial and capital management functions:

- **Financial management:**

- Structural management of liquidity risks from funding the Group's recurring activity and financial stakes.

- Diversification of funding sources (issuances and other), to maintain appropriate volumes, maturities and costs. The price of these transactions with other Group entities is the market rate plus a premium, which in liquidity terms, we support by immobilizing funds during the term of the transaction.
- Active management of interest rate risk with derivatives with high credit quality, high liquidity and low capital consumption in order to reduce the impact of interest rate shifts on net interest income.
- Strategic management of exposure to exchange rates in equity and dynamic on the countervalue of the country units' annual results in euros. At year end, net investment hedges with spots, forwards and other equity instruments amounted to EUR 18,730 million (mainly in Brazil, the UK, Mexico, Chile, the US, Poland and Norway).
- **Management of total capital and reserves:** efficient allocation of capital to each of the Group's entities in order to maximize shareholder return.



Global Headquarters. Boadilla del Monte.



Global Headquarters. Boadilla del Monte.

## Results

In 2021, underlying attributable loss of EUR 2,037 million was 10% higher than in 2020 (-EUR 1,844 million) because:

- gains on financial transactions were lower (EUR 427 million less than in 2020) dampened by negative foreign currency hedging results in 2021 and positive results in 2020. Net interest income fell 1%;
- administrative expenses and amortizations, however, increased by 5% compared to 2020, due to general inflation upturn in 2021. Excluding this impact, they would have remained stable;
- net loan-loss provisions grew from EUR 31 million in 2020 to EUR 155 million in 2021; and
- the net impact of other gains (losses) and provisions (which include provisions, intangible assets impairment, cost of the state guarantee on deferred tax assets, pensions, litigation, one-off provisions for stakes whose value was affected by the crisis, etc.) went from -EUR 412 million in 2020 to -EUR 190 million in 2021.



Global Headquarters in Boadilla del Monte.

## Corporate Centre

EUR million			
Underlying income statement	2021	2020	%
Net interest income	(1,390)	(1,374)	1.2
Net fee income	(28)	(29)	(5.4)
Gains (losses) on financial transactions <sup>A</sup>	(140)	287	—
Other operating income	(28)	(25)	12.2
<b>Total income</b>	<b>(1,586)</b>	<b>(1,141)</b>	<b>38.9</b>
Administrative expenses and amortizations	(346)	(329)	5.2
<b>Net operating income</b>	<b>(1,931)</b>	<b>(1,470)</b>	<b>31.4</b>
Net loan-loss provisions	(155)	(31)	399.1
Other gains (losses) and provisions	(190)	(412)	(53.8)
<b>Profit before tax</b>	<b>(2,277)</b>	<b>(1,912)</b>	<b>19.0</b>
Tax on profit	241	69	250.7
<b>Profit from continuing operations</b>	<b>(2,036)</b>	<b>(1,844)</b>	<b>10.4</b>
Net profit from discontinued operations	—	—	—
<b>Consolidated profit</b>	<b>(2,036)</b>	<b>(1,844)</b>	<b>10.4</b>
Non-controlling interests	(1)	0	479.0
<b>Underlying profit attributable to the parent</b>	<b>(2,037)</b>	<b>(1,844)</b>	<b>10.5</b>

## Balance sheet

Loans and advances to customers	6,787	5,044	34.6
Cash, central banks and credit institutions	88,918	61,173	45.4
Debt instruments	1,555	1,918	(18.9)
Other financial assets	2,203	1,645	33.9
Other asset accounts	116,007	112,807	2.8
<b>Total assets</b>	<b>215,470</b>	<b>182,587</b>	<b>18.0</b>
Customer deposits	1,042	825	26.3
Central banks and credit institutions	53,563	38,554	38.9
Marketable debt securities	74,302	57,240	29.8
Other financial liabilities	431	493	(12.5)
Other liabilities accounts	7,113	9,443	(24.7)
<b>Total liabilities</b>	<b>136,451</b>	<b>106,556</b>	<b>28.1</b>
<b>Total equity</b>	<b>79,019</b>	<b>76,031</b>	<b>3.9</b>

## Memorandum items:

Gross loans and advances to customers <sup>B</sup>	6,813	5,224	30.4
Customer funds	1,042	837	24.5
Customer deposits <sup>C</sup>	1,042	825	26.3
Mutual funds	0	12	(100.0)

## Operating means

Number of employees	1,724	1,692	1.9
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A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

## 4.5 Secondary segments



Smart Red branch, Spain

## Retail Banking

Underlying attributable profit

EUR 7,869 mn

"We remained committed to our digital transformation and multi-channel strategy with a clear focus on customers and their satisfaction"

### Strategy

Santander continued to strengthen its **commitment to customers and society, boosting digitalization and offering new products and services** that meet their needs

### Business performance<sup>1</sup>

Year-on-year growth in **loans and advances to customers** and customer **deposits**, driven by individuals, benefitting from economic recovery

### Results<sup>1</sup>

**Underlying attributable profit up 78% in euros** to EUR 7,869 million **(+83% in constant euros)** due to strong performance in core P&L lines

1. Excluding the exchange rate impact.

### Strategy

The economic and social impacts of the global health crisis moved us to strengthen our commitment to our customers and society, and play a key part in economic and business recovery in the countries where we operate.

The crisis brought forward the implementation and development of our digital transformation strategy. It focuses on our multi-channel approach and the digitalization of businesses and processes. We are adapting channels to new business trends under a hybrid model that prioritizes digital customer service, and complements the service of our branches, which are well equipped to handle operations that are more complex and those that require tailored assistance from our professionals.

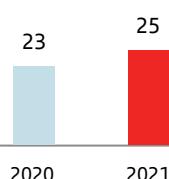
The personalized support we offer to our customers, also forms part of our aim to continuously enhance customer care and service. This enabled us to rank in the top 3 in customer satisfaction (measured by NPS) in eight of our markets in 2021.

Thanks to our efforts to improve customer care and services, our leadership position in the banking industry in digitalization and focus on meeting our customers' needs, we registered double-digit growth in loyal and digital customers.

### Loyal customers

Millions

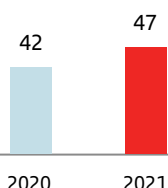
+11%



### Digital customers

Millions

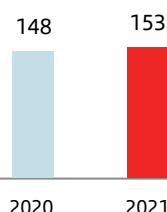
+12%



### Total customers

Millions

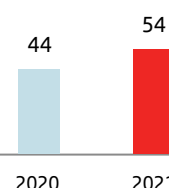
+3%



### Digital sales

% of total sales

+10 pp



The number of loyal customers increased 11% year-on-year to more than 25 million, digital customers rose 12% year-on-year to more than 47 million and 54% of our total sales were digital.

These increases were spurred by our commercial initiatives and specialized products and services for each segment:

- **Individuals:** strong mortgage growth in almost all markets, through initiatives. We were the first bank in Mexico to offer a tailored interest rate based on customer profiles. In the UK, the shift towards digitalization enabled us to process most new mortgages, current accounts and cards through digital channels.
- **Auto finance:** Digital Consumer Bank continued to strengthen our leadership position in Europe. We renewed agreements and entered into new ones with manufacturers, importers and distributors. In the US, we signed new agreements with the country's largest auto dealer groups. In Mexico, we doubled our auto market share, partly due to a new alliance with Honda. While Santander Brasil exported its management platform for financing new and used vehicles to other countries, we are also rolling out Cockpit in Chile, Argentina and Peru.
- **Corporates:** we continued to roll out new services. In Spain, we launched the integrated management platform for Next Generation EU programmes. In Portugal, new corporate lending grew at a fast pace, especially in SMEs. In Poland, we focused on building a common platform to offer comprehensive services to our customers.

Regarding our branch network transformation, we remain committed to boosting our multi-channel proposition. In addition to digital channels, we have 9,879 branches. Our aim is to improve customer experience and offer advice on everything they need through the channel that best suits their preferences and requirements.

## Business performance

Loans and advances to customers increased 4% year-on-year. Excluding reverse repurchase agreements and the exchange rate impact, gross loans rose 2%, boosted by South America.

Customer deposits were 8% higher compared to 2020. Excluding repurchase agreements and the exchange rate impact, they were up 6%, driven by growth in demand deposits (+8%).

## Results

Underlying attributable profit was EUR 7,869 million (74% of the Group's operating areas).

Compared to 2020, underlying attributable profit was up 78%. Excluding the exchange rate impact, it was 83% higher, as follows:

- Total income increased 7% on the back of net interest income (+7%) and net fee income (+4%). Gains on financial transactions dropped 18% affected by the high levels recorded in the second and the third quarter of 2020.
- Administrative expenses and amortizations increased slightly (+1%, well below inflation), benefiting from positive cost management and productivity improvement.
- Loan-loss provisions plummeted 37% mainly due to covid-19-related provisioning in 2020.
- Other gains (losses) and provisions increased its loss versus 2020, mainly due to charges for Swiss franc mortgages.

## Retail Banking. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	39,636	38,022	+4	+7
Expenses	-17,193	-17,286	-1	+1
<b>Net operating income</b>	<b>22,443</b>	<b>20,736</b>	<b>+8</b>	<b>+12</b>
LLPs	-7,114	-11,632	-39	-37
PBT	13,265	7,866	+69	+74
<b>Underlying attrib. profit</b>	<b>7,869</b>	<b>4,420</b>	<b>+78</b>	<b>+83</b>

Detailed financial information in section [4.6 'Appendix](#)





**José M. Linares**

Senior Executive Vice-President and Global  
Head of Santander CIB

## Santander Corporate & Investment Banking

Underlying attributable profit

EUR 2,167 mn

"The transformation we started a few years ago is paying off. In an environment shaped by sustainable development and digitalization, more and more clients are relying on SCIB's leadership and expertise to guide their strategic decision-making and business transformation"

### Strategy

Expanding our **content and product proposition** to become our **clients' strategic advisors**, while **digitalizing our business faster**

### Business performance

Business in 2021 was marked by **recovery in SCIB's major markets** despite the pandemic upsurge and uncertainty caused by rising inflation and geopolitical tension

### Results

**Underlying attributable profit reached EUR 2,167 million**, driven by higher revenue and strong LLP reductions. Efficiency was best-in-class and **RoRWA** was **2.23%**

#### Strategy

SCIB continued to make headway with its strategy to strengthen its position as our clients' strategic advisor of choice, by boosting specialized high value-added products and services that enable us to optimize the return on capital.

In line with this strategy, SCIB focuses on high growth potential sectors which require considerable expertise.

Our ESG team was involved in transactions in many sectors and markets, such as Plug Power's M&A deals to lead the hydrogen sector alongside Groupe Renault and Acciona; the issuance of the 2053 Green Gilt, to support the UK's environmental targets; and Vineyard Wind 1, the largest offshore wind farm ever built in the US.

Created in Q1'21, our Digital Solutions Group (DSG) team supports the development and digital transformation of our current and potential customer base. The several transactions it took part in include the Robinhood's IPO in the US and the issuance of the European Investment Bank's first Digital Bond, which earned *Euromoney's* 2021 Global Awards for Excellence in the with the Financial Innovation Deal of the Year category.

Lastly, as part of our plans to continue to geographically diversify and accelerate growth in the United States, Santander announced the

acquisition of broker-dealer Amherst Pierpont, a market-leading franchise in fixed income and structured products.

Though the deal is still subject to regulatory approvals, it will strengthen our product offering, value proposition and distribution capabilities in the US, with 230 seasoned professionals who serve more than 1,300 institutional clients across the country and will boost our global business.

SCIB held leading positions in several rankings in 2021:

- In Project Finance and Export & Agency Finance we ranked top 3 in Latin America and Europe in volumes of transactions that promote renewable energies (Top 3 in Green Global) the cornerstone of our ESG strategy.
- In Debt Capital Markets (DCM) we are the market leaders in Spain and ranked among the top 5 underwriters by volume of corporate debt in Latin America.
- In Equity Capital Markets (ECM) we ranked in the top 3 in Latin America and number one in Spain and Mexico.

In the year, SCIB also received numerous awards in several categories, including *Global Finance* and *Euromoney*.



## Ranking 2021

Award/ranking	Source	Area
Global Financial Adviser of the Year	<i>PFI (Project Finance International)</i>	GDF
Global ESG Deal of the Year: Vineyard Wind (US)	<i>PFI (Project Finance International)</i>	GDF
Europe Deal of the Year: Enfinium (UK)	<i>PFI (Project Finance International)</i>	GDF
Americas ESG Deal: Intersect Power (US)	<i>PFI (Project Finance International)</i>	GDF
Americas Transport Deal of the Year Americas: Rio Magdalena 2 (Colombia)	<i>PFI (Project Finance International)</i>	GDF & GTB
Best Bank for Cash Management in Latin America	<i>Global Finance</i>	GTB
Best Bank for Payments and Collections in Latin America	<i>Global Finance</i>	GTB
2021 Bank of the year in Argentina, Chile and Southern Cone	<i>Latin Finance</i>	GDF & B&CF
Investment Bank of the Year in Mexico	<i>Latin Finance</i>	GDF & B&CF
Infrastructure Bank of the Year-Andes	<i>Latin Finance</i>	GDF
Best Bank for Latam	<i>FX-W</i>	Markets
Best Bank for USD/BRL	<i>FX-W</i>	Markets
Deals of the Year 2021 (Europe)	<i>The Banker</i>	GDF
Deals of the Year 2021 (Americas)	<i>The Banker</i>	GTB & B&CF
Deals of the Year 2021 (Middle East)	<i>The Banker</i>	GDF
Best Transactional Bank Latin America	<i>The Banker</i>	GTB
Sustainability Bond of the Year	<i>Environmental Finance</i>	GDF
Lead Manager of the Year	<i>Environmental Finance</i>	GDF
Best Bank for Financial Inclusion	<i>Euromoney</i>	Global
Financial Innovation of the Year	<i>Euromoney</i>	GDF

## Business performance

Business in 2021 was marked by recovery in SCIB's core markets despite the pandemic upsurge and uncertainty caused by rising inflation and geopolitical tension. Against this backdrop, SCIB continued to offer clients tailored financing solutions, strategic advice and assistance with capital markets to meet their needs, and advice on their digital transformation and sustainability goals.

Each business's revenue performance (in constant euros) was as follows:

- **Global markets:** revenue was 12% higher year-on-year. The markets business recorded strong revenue growth in 2021 underscored by sound management of the trading books and sales to clients whom we have continued to support with structured hedging products, especially in Spain and Portugal, Asia, Argentina, Brazil and Chile. Solid performance of interest rate and FX hedging products, fixed income, lending and equity derivatives.

In 2021, SCIB developed the first sustainable market products, such as the ESG Linked Derivatives, whose price is based on KPIs of Santander's corporate ESG programmes and our customers; and the first ESG Impact Derivatives, which help Santander run environmental projects with a portion of their proceeds. SCIB also issued structured notes and ESG deposits.

- **GDF (Global Debt Financing):** Santander continued to support clients in accessing liquidity sources. As a result, funding volumes spiked in the year and total income was 14% higher year-on-year. We shifted our strategy towards sustainable financing in the loan and bond markets.

In particular, we issued our first social project bond with Sacyr in Colombia plus the sustainable bonds of the Kingdom of Spain, Republic of Chile, the European Investment Bank and others.

We continued to be a global leader in structured finance. SCIB ranked number one in Latin America and Europe thanks to the large renewable projects we led.

We also began to engage in our clients' leveraged buy-outs on companies in Europe such as Burger King, Masmovil, Urbaser and the privatization of Aggreko.

- **Global Transactional Banking (GTB):** Total income was 1% higher than in 2020. Cash Management improved during the year as transactional banking continued to recover, with greater commercial activity in most of the division's core countries, offsetting the negative impact of low interest rates in some, though rises are expected in 2022.

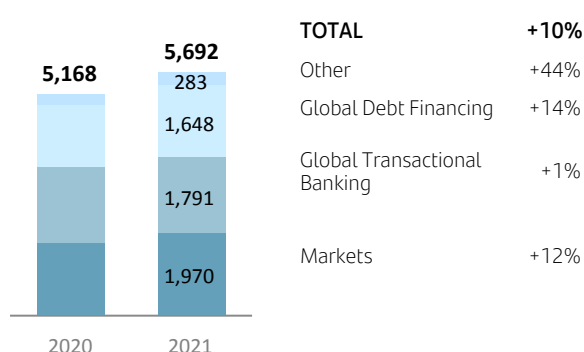
Export & Agency Finance continues to provide financial and risk mitigation solutions for cross-border capex transactions in all markets. It benefits from the support of Export Credit Agencies (ECAs) and Multilateral Lending Agencies (MLAs) to serve our entire client base.

We were particularly active in green finance for environmental projects and in covid-19 impact mitigation programmes. We also maintained our market leadership with solid growth (especially in Europe).

In 2021, the Trade & Working Capital Solutions team enhanced its industry leadership. It closed large transactions with the development of new products and strategic asset allocation initiatives. Of note was the launch of the Inventory Finance product (which rounds off our working capital solutions proposition). To maintain our double-digit growth rate sustainably, we expanded our client base and developed tools that optimize the use of our balance sheet. In particular, we rolled out an alternative investment fund with Santander Asset Management for trade assets, and entered into an EUR 2 billion agreement with the EIB to expand our confirming programmes.

### Total income breakdown

Constant EUR million



- **Corporate Finance (CF):** we saw significant revenue growth (+44% vs 2020) driven by an increase in mergers and acquisitions (M&A) and equity capital market (ECM) transactions.

In M&A, we focused on transactions for assets related to the energy transition and renewable electricity. In two green hydrogen-related transactions, we advised Plug Power in the creation of a joint venture with Renault and another with Acciona Energía. In renewable energies, we advised Canada's Northland Power and Italy's ENI on acquisitions in Spain.

In the technology, media and telecom (TMT) sector, we advised on digital infrastructure transactions. SCIB advised Telefónica in three sales of fibre-to-the-home (FTTH) companies worth more than USD 2.5 billion, which will help expand digital inclusion in Chile, Brazil and Colombia.

The infrastructure M&A market also had a good year. We carried out more than 15 global transactions. In particular, Platinum Equity acquired the Spanish environmental services group Urbaser and Goldman Sachs Infra sold the last package of the RCO highway in Mexico. As a result, SCIB was at the top of advisor rankings for Spain and Portugal and for Latin America.

ECM revenue spiked, strengthening our market leadership in Spain and Portugal, Brazil, Mexico and Poland. We led major transactions of the year, such as Acciona Energía's EUR 1.5 billion IPO in Spain (the largest in Europe's renewable energy industry), Universal Music Group's EUR 20 billion IPO (the largest spin-off ever) and EXI's IPO (the largest equity offering in Mexico since 2017).

We performed exceptionally well in Brazil. Our 28 transactions (16 IPOs and 12 primary share offerings), included Armac's BRL 1.5 billion IPO and Brisanet's BRL 1.4 billion IPO and Lojas Renner's BRL 4 billion follow-on public offering.

### Results

Underlying attributable profit in 2021 increased 21% to EUR 2,167 million (20% of the Group's total operating areas). Excluding the exchange rate impact, growth was 26%, strongly backed by GDF and Markets. RoRWA was 2.23% (1.86% in 2020). By line:

- Total income was 10% higher driven by net fee income (+16%) and gains on financial transactions (+9%).
- Administrative expenses and amortizations rose 15%, compared to 2020 due to investments in products and franchises under development. However, efficiency improved year-on-year and remained a benchmark in the sector (40%).
- Sharp improvement in loan-loss provisions compared to 2020, due to significant increases last year stemming from the widespread macroeconomic downturn caused by the covid-19 pandemic. Better-than-expected economic conditions at the beginning of 2021 led us to release provisions and improved the credit outlook for the customer portfolio, which had an impact on the level of provisions recorded during the year.

### SCIB. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	5,692	5,332	+7	+10
Expenses	-2,301	-2,038	+13	+15
<b>Net operating income</b>	<b>3,392</b>	<b>3,294</b>	<b>+3</b>	<b>+7</b>
LLPs	-130	-470	-72	-72
PBT	3,251	2,689	+21	+26
<b>Underlying attrib. profit</b>	<b>2,167</b>	<b>1,798</b>	<b>+21</b>	<b>+26</b>

Detailed financial information in section [4.6 'Appendix](#)



**Víctor Matarranz**

Senior Executive Vice President and Head  
of Wealth Management & Insurance

## Wealth Management & Insurance

Underlying attributable profit

EUR 907 Mn

"In 2021, we returned to double-digit growth rates and consolidated the transformation of our businesses, laying the groundwork for a new phase of growth in the coming years"

### Strategy

We continue to **innovate and improve** our product offering (especially **ESG** products), while increasing sales through digital channels

### Business performance<sup>1</sup>

Total **assets under management** were **8% higher than in 2020**, and **funds and investments increased 9%** a sign of the gradual recovery of activity

### Results<sup>1</sup>

Total **contribution to profit** in 2021 was **EUR 2,313 million**, **12% higher** than in 2020, due to greater assets under management and higher net fee income

1. Excluding the exchange rate impact.

### Strategy

We maintain our objective to be the best responsible wealth and protection manager in Europe and Latin America, as one of the Group's growth drivers with a 12% greater total contribution to profit.

- In **Private Banking**, we continued to revamp our product proposition, focusing on sustainable (ESG), alternative (e.g. private markets, real estate and venture capital) and thematic products. We also continued to expand our discretionary advisory service to tailor value-added solutions to our clients' specific investment needs and risk profiles. Those platforms recorded 20% growth in 2021.

Regarding our ESG investment product range, SAM and third-party ESG products raised more than EUR 18 billion in assets under management classified according to Article 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR) or similar criteria in Latin America, which integrate a wide range of sustainability strategies.

Santander Future Wealth is our line of thematic funds and structured products to help private banking clients invest in innovation and disruptive technologies. This joint initiative with SAM has reached EUR 3.9 billion in investment funds alone since launching. Furthermore, our alternative product proposition exceeded EUR 1.8 billion in SAM and third-party alternative funds (Hamilton Lane, Bain, Brookfield, Blackstone, Harbour Vest, Owl Rock and Everwood, among others).

Also of note was our Private Banking platform, with a large number of clients operating across countries and a shared business volume of EUR 9.9 billion (+34% versus 2020, mainly due to operations in Mexico, Brazil, the US and the UK).

In 2021, we launched new digital private banking front-ends in Portugal and Spain and new manager front-ends in Poland.

- Santander Asset Management** continued to improve. We rounded off our local and global product proposition. We launched Santander ON ('oriented to your needs'), a range of solutions to cover our clients' diverse investment needs. It follows a systematic and quantitative management methodology, including various investment themes and our ESG integration model.

The Santander GO product range grew strongly, reaching EUR 3.8 billion. Also, the hub in Luxembourg, which serves all of Europe, amounted to more than EUR 11.5 billion.

We made further headway with our ESG strategy; we offer 29 ESG products globally, and our assets under management stood close to EUR 11.3 billion. We are also focused on strengthening our proposition of products classed under Article 8 (SFDR).

Our range of alternative products aimed primarily at our institutional clients is becoming more robust. Five funds (Alternative Leasing, Private Debt fund of funds, Trade Finance EUR, Santander European Hospitality opportunities and Sancus Green Investments II SCR) already launched.

As part of our operational and technological transformation, we fully rolled out the Aladdin platform in all our countries in 2021. We are also about to launch our European Robo-advisor proposition in Spain and Chile in 2022.

- In **Insurance**, we continued to see growth in premiums (+4% year-on-year). Protection remained our main growth driver (+12%). Net fee income grew overall by a remarkable 13%.

Regarding our digital strategy, the number of insurance policies sold via our digital channels doubled and now account for 17% of total sales.

We closed an important agreement with Allianz in Poland, which we expect will strengthen our position in the country.

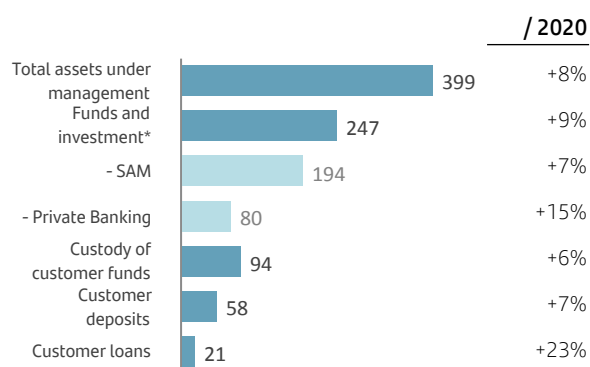
Motor vehicle insurance business performed well, with a portfolio of almost 2 million policies (most on the Autocompara platform) and a strong increase in revenue (+27%) compared to 2020.

## Business performance

Total assets under management amounted to EUR 399 billion, 8% higher year-on-year, driven by the gradual business recovery following the hardest months of the health crisis.

### Business performance: SAM and Private Banking

December 2021. EUR billion and % change in constant euros



Note: Total assets marketed and/or managed in 2021 and 2020.

(\*) Total adjusted customer funds of private banking managed by SAM.

- In Private Banking, the volume of client assets and liabilities reached EUR 253 billion. Net new money amounted to EUR 11.7 billion in 2021 (4.6% of total volume). Funds reached EUR 4.4 billion. Net profit in 2021 was 9% higher compared to 2020 at EUR 433 million, due primarily to 13% higher net fee income. Threshold Private Banking clients rose 8% to 117,000 clients.
- SAM's total assets under management increased 7% compared to 2020 to EUR 194 billion. Record-high cumulative net sales mainly in Spain, Mexico, Luxembourg, Argentina and Poland amounted to EUR 8 billion (4.1% of total AuMs). SAM's contribution to the Group's profit (including ceded fee income) was EUR 562 million, 16% higher year-on-year.

- In Insurance, the gross written premiums in 2021 amounted to EUR 8.6 billion (+4% year-on-year). In particular, non-credit-related protection business grew 12% and total fee income increased 13%. Total contribution to profit (including ceded fee income) increased 12% year-on-year to EUR 1,318 million.

## Results

Underlying attributable profit was EUR 907 million in 2021, up 10% year-on-year. Excluding the exchange rate effect, it was 13% higher:

- Total income increased 9% mainly driven by the higher volume of assets under management, net fee income growth and greater insurance protection. Total fee income generated, including fees ceded to the branch network rose 12% to EUR 3,397 million and represented 32% of the Group's total fee income.
- Administrative expenses and amortizations increased 5%, due to investments and costs stemming from greater commercial activity.
- As a result, net operating income increased 11%.

The total contribution to the Group (including net profit and total fees generated net of tax) was EUR 2,313 million in 2021, 12% higher than in 2020 in constant euros.

### Total contribution to profit

EUR million and % change in constant euros



### WM&I. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	2,166	2,030	+7	+9
Expenses	-902	-872	+4	+5
<b>Net operating income</b>	<b>1,264</b>	<b>1,159</b>	<b>+9</b>	<b>+11</b>
LLPs	-27	-28	-5	-5
PBT	1,247	1,132	+10	+13
<b>Underlying attrib. profit</b>	<b>907</b>	<b>823</b>	<b>+10</b>	<b>+13</b>

Detailed financial information in section [4.6 'Appendix](#)



Javier San Félix

CEO of PagoNxt

## PagoNxt

Underlying attributable profit

-EUR 253 Mn

"After just over 12 months of existence, I'm thrilled to see the progress we've made to become a one-stop-shop that meets all payment needs for merchants, SMEs, corporates and consumers. We're investing in world-class technology and hiring top payments talent to continue to innovate and launch new products and services that will improve user experience"

### Strategy

**Accelerating commerce for merchants** and for their connected ecosystem of customers and business partners, on the back of our **cloud-native global payments platform**, Santander's large-scale distribution capabilities and open market access

### Business performance

PagoNxt achieved **significant growth across markets in 2021**. In the last 12 months, Getnet's base of active merchants grew 6% and Total Payments Volume was 50% higher

### Results

PagoNxt's revenue is growing fast. It amounted to **EUR 495 mn in 2021**, 47% higher in H2 than in H1

#### Strategy

PagoNxt aims to accelerate commerce for merchants and for their connected ecosystem of customers and business partners. Its strength lies in its digital commerce proposition for merchants and in its exposure to fast-growing markets, complemented by distinctive assets that are progressively connecting corporates and consumers. We are fulfilling our purpose with:

- Our strong track record serving merchants through a digital commerce proposition. We serve merchants of different sizes according to their payment needs with a full suite of merchant service products, which include PoS payments, e-commerce and omnichannel, boasting local and cross-border coverage. We also offer value-added solutions that leverage our in-house product development and third-party providers.



- Reinforced adjacencies that deliver value to businesses and consumers. We are developing solutions to expand our breadth of payment services to cover the entire commerce network. In combining the cutting-edge platforms, One Trade and Ebury, PagoNxt is offering a complete portfolio to meet SMEs' and institutions' international trade needs and help them thrive across borders with a simple, secure solution to transfer money globally.

This is complemented by our Payments Hub's instant payment capabilities. In consumer, our Superdigital platform connects merchants with the underbanked and with low-income individuals across Latin America, providing them with a low cost-to-serve model and innovative offering.

- Our progressively integrated value proposition that leverages our shared cloud-native, data-driven global payments platform. PagoNxt's real-time, flexible and highly scalable technology platform is fully cloud- and API- based, and enterprise-ready. It ensures access to PagoNxt's latest features with simpler integration. We process and generate insights to help our customers and their businesses harness the full power of data and make data-driven decisions.
- Santander's distribution network and open market capabilities. Our connection to Santander gives us privileged access to 153 million customers, plus proven distribution capabilities, that enable us to scale up faster and save acquisition costs.

To expand our global reach, we are leveraging synergies with Santander's existing presence but also developing open market distribution capabilities outside its footprint.

Our full autonomy and clear governance ensure delivery speed, as we operate independently, with our own people, culture, technology and operations.



One Trade Payments Hub

## Business performance

In late 2020, PagoNxt launched as a global payments platform to bring Santander's most innovative payment assets under one roof, build on the established Getnet franchise and achieve global leadership in the payments market.

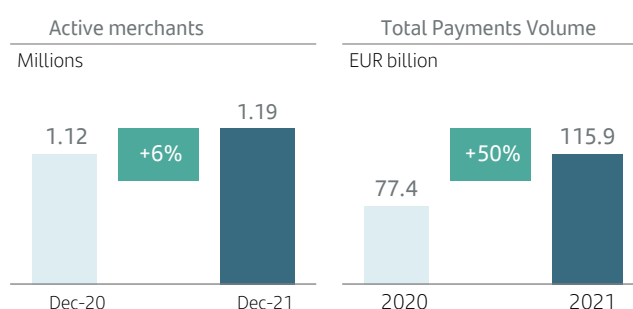
Since inception, we have had several important achievements:

- PagoNxt is now a standalone operation. Its talent, processes and corporate governance provide the necessary base for faster growth. It has autonomous decision-making processes and a diverse talent pool with a strong technological background, 60% of whom are technologists and payments experts. We are investing to expand our payments proposition, increase our scale and enter high growth markets.
- Getnet, our payment solution for merchants, increased its footprint and achieved significant growth in 2021. Its Total Payments Volume (TPV) grew 50% to EUR 116 billion and its active merchants totalled 1.2 million a 6% increase year-on-year.

In Latin America, Getnet continued to expand. It achieved TPV market share exceeding 15% TPV market share in Brazil and Mexico, and it also launched commercial operations in Chile and Uruguay. Getnet Brazil is now fully integrated within PagoNxt after the completion of its spin-off from Santander Brasil and subsequent listing on the B3, in São Paulo and on the Nasdaq. Likewise, Getnet Europe began operations in H2 as a pan-European acquirer after the integration of former Wirecard's technology, and consolidated its position in Spain with a 14% TPV market share.

- PagoNxt's global technology platform continued to enhance its capabilities and scale:
  - On the merchant side, our global platform added multiple new services including digital onboarding and PoS, alternative payment methods (APMs) and other payment schemes. We rolled it out in the EU, Argentina and Uruguay, and accelerated migration in other countries (e.g., 80% of transactions in Mexico have already been transferred).
  - On the trade side, our One Trade value proposition expanded its international payments, FX and trade finance solutions for SMEs and institutions. It is already connected to eight countries, providing, for example, instant payments in BRL in Brazil.
  - Our Payments Hub platform complements that proposition with its instant payments access to schemes in GBP and EUR.
  - On the consumer side, our Superdigital global platform developed digital wallets and payments for the underbanked. It was rolled out in Argentina, ahead of an initial launch of friends & family in Colombia and Peru.

## Merchant



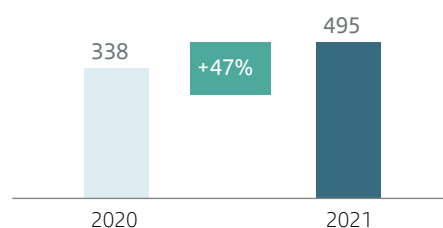
## Results

In 2021, underlying attributable loss increased year-on-year to -EUR 253 million (-EUR 116 million in 2020), driven by high investments in new, developing projects and platforms (mainly in Trade), and by the integration of Wirecard's assets into Merchant in January 2021.

However, total income increased 39% in 2021, with a strong jump in net fee income (+47% at constant exchange rates).

## PagoNxt. Revenue performance

Constant EUR million



Our performance was backed by the activity recovery in recent quarters. Volumes exceeded pre-pandemic levels, mainly in Merchant (strong increase in the number of transactions, merchants and total payments volumes in most of the countries).

## PagoNxt. Underlying income statement

EUR million and % change

	2021	2020	/ 2020	
			%	% excl. FX
Revenue	495	356	+39	+47
Expenses	-673	-443	+52	+57
<b>Net operating income</b>	<b>-178</b>	<b>-86</b>	<b>+106</b>	<b>+96</b>
LLPs	-10	-12	-17	-10
PBT	-227	-101	+124	+116
<b>Underlying attrib. profit</b>	<b>-253</b>	<b>-116</b>	<b>+118</b>	<b>+114</b>

Detailed financial information in section [4.6 'Appendix](#)



## 4.6 Appendix

### Primary segments

EUR million

	Europe				Spain		
	2021	2020	%	% excl. FX	2021	2020	%
<b>Underlying income statement</b>							
Net interest income	10,952	9,911	10.5	9.5	3,994	3,957	0.9
Net fee income	4,344	4,000	8.6	8.6	2,482	2,314	7.3
Gains (losses) on financial transactions <sup>A</sup>	755	869	(13.1)	(12.7)	552	781	(29.3)
Other operating income	261	(107)	—	—	(21)	(269)	(92.0)
<b>Total income</b>	<b>16,312</b>	<b>14,673</b>	<b>11.2</b>	<b>10.5</b>	<b>7,006</b>	<b>6,782</b>	<b>3.3</b>
Administrative expenses and amortizations	(8,318)	(8,275)	0.5	(0.2)	(3,340)	(3,607)	(7.4)
<b>Net operating income</b>	<b>7,994</b>	<b>6,398</b>	<b>24.9</b>	<b>24.5</b>	<b>3,666</b>	<b>3,175</b>	<b>15.5</b>
Net loan-loss provisions	(2,294)	(3,344)	(31.4)	(31.7)	(1,833)	(2,001)	(8.4)
Other gains (losses) and provisions	(1,289)	(970)	32.9	32.5	(526)	(459)	14.6
<b>Profit before tax</b>	<b>4,411</b>	<b>2,084</b>	<b>111.6</b>	<b>111.0</b>	<b>1,307</b>	<b>715</b>	<b>82.7</b>
Tax on profit	(1,362)	(594)	129.4	129.1	(350)	(199)	75.9
<b>Profit from continuing operations</b>	<b>3,049</b>	<b>1,491</b>	<b>104.6</b>	<b>103.8</b>	<b>957</b>	<b>516</b>	<b>85.3</b>
Net profit from discontinued operations	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>3,049</b>	<b>1,491</b>	<b>104.6</b>	<b>103.8</b>	<b>957</b>	<b>516</b>	<b>85.3</b>
Non-controlling interests	(71)	(78)	(9.0)	(6.1)	0	0	86.8
<b>Underlying profit attributable to the parent</b>	<b>2,978</b>	<b>1,413</b>	<b>110.8</b>	<b>109.7</b>	<b>957</b>	<b>517</b>	<b>85.3</b>
<b>Balance sheet</b>							
Loans and advances to customers	590,610	563,582	4.8	1.6	195,041	194,239	0.4
Cash, central banks and credit institutions	256,433	213,561	20.1	17.8	142,040	113,518	25.1
Debt instruments	67,068	81,271	(17.5)	(18.2)	13,915	21,654	(35.7)
Other financial assets	37,250	48,313	(22.9)	(23.0)	2,550	2,671	(4.5)
Other asset accounts	29,793	35,893	(17.0)	(18.5)	17,712	22,438	(21.1)
<b>Total assets</b>	<b>981,153</b>	<b>942,620</b>	<b>4.1</b>	<b>1.6</b>	<b>371,258</b>	<b>354,521</b>	<b>4.7</b>
Customer deposits	619,486	582,353	6.4	3.5	265,004	251,375	5.4
Central banks and credit institutions	193,307	167,014	15.7	14.1	52,855	48,305	9.4
Marketable debt securities	73,629	84,201	(12.6)	(16.1)	25,428	26,068	(2.5)
Other financial liabilities	38,706	54,634	(29.2)	(29.4)	7,937	9,344	(15.1)
Other liabilities accounts	10,929	11,788	(7.3)	(9.6)	4,147	4,112	0.9
<b>Total liabilities</b>	<b>936,056</b>	<b>899,990</b>	<b>4.0</b>	<b>1.5</b>	<b>355,371</b>	<b>339,203</b>	<b>4.8</b>
<b>Total equity</b>	<b>45,097</b>	<b>42,630</b>	<b>5.8</b>	<b>3.3</b>	<b>15,887</b>	<b>15,318</b>	<b>3.7</b>
<b>Memorandum items:</b>							
Gross loans and advances to customers <sup>B</sup>	575,983	543,336	6.0	2.9	201,549	200,735	0.4
Customer funds	711,799	655,954	8.5	6.1	345,298	320,879	7.6
Customer deposits <sup>C</sup>	603,739	562,977	7.2	4.5	265,004	251,375	5.4
Mutual funds	108,060	92,977	16.2	15.6	80,295	69,503	15.5
<b>Ratios (%), operating means and customers</b>							
Underlying RoTE	7.36	3.61	3.75		6.33	3.30	3.04
Efficiency ratio	51.0	56.4	(5.4)		47.7	53.2	(5.5)
NPL ratio	3.12	3.34	(0.22)		5.77	6.23	(0.46)
Total coverage ratio	49.4	50.3	(0.9)		52.2	47.1	5.1
Number of employees	60,941	69,032	(11.7)		23,035	26,961	(14.6)
Number of branches	3,242	4,494	(27.9)		1,947	2,939	(33.8)
Number of loyal customers (thousands)	10,286	10,021	2.6		2,772	2,643	4.9
Number of digital customers (thousands)	16,216	15,302	6.0		5,412	5,234	3.4

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.



## Primary segments

EUR million

	United Kingdom				Portugal		
	2021	2020	%	% excl. FX	2021	2020	%
<b>Underlying income statement</b>							
Net interest income	4,431	3,504	26.5	22.3	751	787	(4.6)
Net fee income	434	494	(12.3)	(15.2)	441	388	13.7
Gains (losses) on financial transactions <sup>A</sup>	(8)	(20)	(59.4)	(60.8)	142	111	27.4
Other operating income	6	1	419.7	402.4	8	10	(21.8)
<b>Total income</b>	<b>4,863</b>	<b>3,980</b>	<b>22.2</b>	<b>18.1</b>	<b>1,341</b>	<b>1,296</b>	<b>3.5</b>
Administrative expenses and amortizations	(2,592)	(2,539)	2.1	(1.3)	(563)	(590)	(4.7)
<b>Net operating income</b>	<b>2,271</b>	<b>1,441</b>	<b>57.6</b>	<b>52.4</b>	<b>778</b>	<b>706</b>	<b>10.3</b>
Net loan-loss provisions	245	(677)	—	—	(38)	(193)	(80.5)
Other gains (losses) and provisions	(319)	(256)	24.6	20.5	(26)	(29)	(9.2)
<b>Profit before tax</b>	<b>2,197</b>	<b>508</b>	<b>332.2</b>	<b>317.9</b>	<b>714</b>	<b>483</b>	<b>47.8</b>
Tax on profit	(627)	(117)	435.9	418.1	(231)	(145)	59.8
<b>Profit from continuing operations</b>	<b>1,570</b>	<b>391</b>	<b>301.2</b>	<b>287.9</b>	<b>483</b>	<b>339</b>	<b>42.6</b>
Net profit from discontinued operations	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>1,570</b>	<b>391</b>	<b>301.2</b>	<b>287.9</b>	<b>483</b>	<b>339</b>	<b>42.6</b>
Non-controlling interests	—	—	—	—	(1)	0	171.9
<b>Underlying profit attributable to the parent</b>	<b>1,570</b>	<b>391</b>	<b>301.2</b>	<b>287.9</b>	<b>482</b>	<b>338</b>	<b>42.4</b>
<b>Balance sheet</b>							
Loans and advances to customers	261,414	249,777	4.7	(2.1)	39,280	38,058	3.2
Cash, central banks and credit institutions	72,499	54,444	33.2	24.6	9,692	5,819	66.6
Debt instruments	7,832	11,527	(32.0)	(36.4)	8,489	11,569	(26.6)
Other financial assets	389	712	(45.4)	(49.0)	1,586	1,487	6.7
Other asset accounts	5,667	8,177	(30.7)	(35.2)	1,209	1,475	(18.0)
<b>Total assets</b>	<b>347,801</b>	<b>324,637</b>	<b>7.1</b>	<b>0.2</b>	<b>60,257</b>	<b>58,408</b>	<b>3.2</b>
Customer deposits	242,739	231,921	4.7	(2.1)	42,371	39,881	6.2
Central banks and credit institutions	44,086	20,587	114.1	100.3	9,410	9,974	(5.7)
Marketable debt securities	40,796	51,151	(20.2)	(25.4)	2,633	2,520	4.5
Other financial liabilities	2,558	2,316	10.5	3.3	236	249	(5.5)
Other liabilities accounts	2,442	4,508	(45.8)	(49.3)	1,344	1,643	(18.2)
<b>Total liabilities</b>	<b>332,620</b>	<b>310,483</b>	<b>7.1</b>	<b>0.2</b>	<b>55,994</b>	<b>54,267</b>	<b>3.2</b>
<b>Total equity</b>	<b>15,181</b>	<b>14,154</b>	<b>7.3</b>	<b>0.3</b>	<b>4,264</b>	<b>4,141</b>	<b>3.0</b>
Memorandum items:							
Gross loans and advances to customers <sup>B</sup>	247,775	230,674	7.4	0.5	40,262	39,054	3.1
Customer funds	237,780	222,268	7.0	0.1	46,711	43,133	8.3
Customer deposits <sup>C</sup>	228,790	214,329	6.7	(0.1)	42,371	39,881	6.2
Mutual funds	8,991	7,938	13.3	5.9	4,340	3,252	33.4
<b>Ratios (%), operating means and customers</b>							
Underlying RoTE	11.71	3.02	8.69		11.85	8.73	3.12
Efficiency ratio	53.3	63.8	(10.5)		42.0	45.5	(3.6)
NPL ratio	1.43	1.24	0.19		3.44	3.89	(0.45)
Total coverage ratio	25.8	44.7	(18.9)		71.7	66.5	5.2
Number of employees	18,684	22,028	(15.2)		5,069	6,336	(20.0)
Number of branches	450	564	(20.2)		393	477	(17.6)
Number of loyal customers (thousands)	4,389	4,450	(1.4)		860	812	6.0
Number of digital customers (thousands)	6,635	6,267	5.9		1,000	930	7.5

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

## Primary segments

EUR million

	Poland				Other Europe			
	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
<b>Underlying income statement</b>								
Net interest income	1,049	1,037	1.2	4.0	726	627	15.9	16.7
Net fee income	518	452	14.5	17.7	470	351	33.9	35.2
Gains (losses) on financial transactions <sup>A</sup>	77	90	(14.2)	(11.8)	(8)	(93)	(91.0)	(91.2)
Other operating income	2	(55)	—	—	267	206	29.9	29.9
<b>Total income</b>	<b>1,646</b>	<b>1,524</b>	<b>8.0</b>	<b>11.0</b>	<b>1,455</b>	<b>1,090</b>	<b>33.5</b>	<b>34.6</b>
Administrative expenses and amortizations	(663)	(629)	5.3	8.2	(1,161)	(909)	27.7	28.7
<b>Net operating income</b>	<b>984</b>	<b>895</b>	<b>10.0</b>	<b>13.0</b>	<b>294</b>	<b>181</b>	<b>62.5</b>	<b>64.1</b>
Net loan-loss provisions	(200)	(330)	(39.4)	(37.7)	(468)	(144)	226.2	225.9
Other gains (losses) and provisions	(404)	(195)	106.8	112.5	(13)	(30)	(56.4)	(56.2)
<b>Profit before tax</b>	<b>380</b>	<b>370</b>	<b>2.8</b>	<b>5.6</b>	<b>(187)</b>	<b>8</b>	<b>—</b>	<b>—</b>
Tax on profit	(150)	(130)	15.5	18.7	(4)	(3)	10.4	9.5
<b>Profit from continuing operations</b>	<b>230</b>	<b>240</b>	<b>(4.1)</b>	<b>(1.4)</b>	<b>(191)</b>	<b>4</b>	<b>—</b>	<b>—</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>230</b>	<b>240</b>	<b>(4.1)</b>	<b>(1.4)</b>	<b>(191)</b>	<b>4</b>	<b>—</b>	<b>—</b>
Non-controlling interests	(69)	(78)	(11.1)	(8.6)	(1)	—	—	—
<b>Underlying profit attributable to the parent</b>	<b>161</b>	<b>162</b>	<b>(0.7)</b>	<b>2.0</b>	<b>(191)</b>	<b>5</b>	<b>—</b>	<b>—</b>
<b>Balance sheet</b>								
Loans and advances to customers	29,817	28,025	6.4	7.3	65,058	53,483	21.6	19.9
Cash, central banks and credit institutions	2,968	2,539	16.9	17.8	29,234	37,241	(21.5)	(22.3)
Debt instruments	15,082	14,006	7.7	8.6	21,748	22,516	(3.4)	(3.4)
Other financial assets	503	980	(48.7)	(48.3)	32,222	42,463	(24.1)	(24.2)
Other asset accounts	1,419	1,341	5.8	6.7	3,785	2,462	53.8	47.6
<b>Total assets</b>	<b>49,788</b>	<b>46,890</b>	<b>6.2</b>	<b>7.1</b>	<b>152,049</b>	<b>158,165</b>	<b>(3.9)</b>	<b>(4.7)</b>
Customer deposits	37,919	34,868	8.8	9.7	31,452	24,307	29.4	28.4
Central banks and credit institutions	3,312	2,613	26.7	27.8	83,644	85,535	(2.2)	(3.3)
Marketable debt securities	1,618	2,110	(23.3)	(22.7)	3,154	2,353	34.1	34.1
Other financial liabilities	692	993	(30.3)	(29.7)	27,283	41,732	(34.6)	(34.7)
Other liabilities accounts	1,529	1,232	24.1	25.1	1,468	294	399.3	395.8
<b>Total liabilities</b>	<b>45,071</b>	<b>41,816</b>	<b>7.8</b>	<b>8.7</b>	<b>147,000</b>	<b>154,221</b>	<b>(4.7)</b>	<b>(5.4)</b>
<b>Total equity</b>	<b>4,717</b>	<b>5,074</b>	<b>(7.0)</b>	<b>(6.3)</b>	<b>5,048</b>	<b>3,944</b>	<b>28.0</b>	<b>25.1</b>
Memorandum items:								
Gross loans and advances to customers <sup>B</sup>	30,657	29,055	5.5	6.4	55,740	43,818	27.2	25.0
Customer funds	42,325	38,889	8.8	9.7	39,684	30,786	28.9	28.2
Customer deposits <sup>C</sup>	37,919	34,865	8.8	9.7	29,655	22,526	31.7	30.6
Mutual funds	4,406	4,023	9.5	10.4	10,029	8,260	21.4	21.4

## Ratios (%), operating means and customers

Underlying RoTE	5.00	5.05	(0.05)
Efficiency ratio	40.2	41.3	(1.0)
NPL ratio	3.61	4.74	(1.13)
Total coverage ratio	73.9	70.7	3.2
Number of employees	9,718	10,582	(8.2)
Number of branches	440	502	(12.4)
Number of loyal customers (thousands)	2,266	2,115	7.1
Number of digital customers (thousands)	2,998	2,756	8.8

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

## Primary segments

EUR million

Underlying income statement	North America				United States			
	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
Net interest income	8,204	8,470	(3.1)	(1.4)	5,405	5,645	(4.2)	(0.8)
Net fee income	1,644	1,684	(2.4)	(1.3)	782	889	(12.0)	(8.8)
Gains (losses) on financial transactions <sup>A</sup>	224	251	(10.6)	(9.9)	152	118	29.1	33.9
Other operating income	914	629	45.3	51.6	1,044	709	47.3	52.7
<b>Total income</b>	<b>10,986</b>	<b>11,034</b>	<b>(0.4)</b>	<b>1.4</b>	<b>7,383</b>	<b>7,360</b>	<b>0.3</b>	<b>4.0</b>
Administrative expenses and amortizations	(4,967)	(4,677)	6.2	8.1	(3,197)	(3,079)	3.8	7.6
<b>Net operating income</b>	<b>6,019</b>	<b>6,357</b>	<b>(5.3)</b>	<b>(3.5)</b>	<b>4,187</b>	<b>4,281</b>	<b>(2.2)</b>	<b>1.4</b>
Net loan-loss provisions	(1,210)	(3,917)	(69.1)	(68.4)	(419)	(2,937)	(85.7)	(85.2)
Other gains (losses) and provisions	(145)	(133)	9.6	11.8	(116)	(93)	24.0	28.6
<b>Profit before tax</b>	<b>4,664</b>	<b>2,307</b>	<b>102.2</b>	<b>104.5</b>	<b>3,652</b>	<b>1,250</b>	<b>192.1</b>	<b>202.7</b>
Tax on profit	(1,056)	(573)	84.1	86.4	(832)	(318)	161.2	170.7
<b>Profit from continuing operations</b>	<b>3,609</b>	<b>1,734</b>	<b>108.1</b>	<b>110.5</b>	<b>2,821</b>	<b>932</b>	<b>202.6</b>	<b>213.7</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>3,609</b>	<b>1,734</b>	<b>108.1</b>	<b>110.5</b>	<b>2,821</b>	<b>932</b>	<b>202.6</b>	<b>213.7</b>
Non-controlling interests	(556)	(262)	112.3	117.4	(494)	(201)	145.4	154.3
<b>Underlying profit attributable to the parent</b>	<b>3,053</b>	<b>1,472</b>	<b>107.4</b>	<b>109.3</b>	<b>2,326</b>	<b>731</b>	<b>218.4</b>	<b>230.0</b>
<b>Balance sheet</b>								
Loans and advances to customers	137,428	120,571	14.0	5.9	103,548	90,992	13.8	5.0
Cash, central banks and credit institutions	34,857	28,666	21.6	13.5	24,033	16,614	44.7	33.5
Debt instruments	38,500	38,402	0.3	(5.9)	16,341	14,084	16.0	7.1
Other financial assets	12,555	15,439	(18.7)	(23.5)	4,258	4,381	(2.8)	(10.3)
Other asset accounts	21,394	20,718	3.3	(4.2)	17,638	17,003	3.7	(4.3)
<b>Total assets</b>	<b>244,734</b>	<b>223,797</b>	<b>9.4</b>	<b>1.9</b>	<b>165,819</b>	<b>143,074</b>	<b>15.9</b>	<b>7.0</b>
Customer deposits	121,989	102,924	18.5	10.4	83,159	67,450	23.3	13.8
Central banks and credit institutions	35,059	38,017	(7.8)	(13.9)	21,851	20,989	4.1	(3.9)
Marketable debt securities	38,061	36,583	4.0	(3.5)	31,482	29,737	5.9	(2.3)
Other financial liabilities	14,652	16,182	(9.5)	(14.8)	4,038	4,329	(6.7)	(13.9)
Other liabilities accounts	6,194	6,029	2.7	(4.0)	4,140	3,369	22.9	13.4
<b>Total liabilities</b>	<b>215,955</b>	<b>199,735</b>	<b>8.1</b>	<b>0.8</b>	<b>144,670</b>	<b>125,874</b>	<b>14.9</b>	<b>6.1</b>
<b>Total equity</b>	<b>28,779</b>	<b>24,062</b>	<b>19.6</b>	<b>11.3</b>	<b>21,149</b>	<b>17,200</b>	<b>23.0</b>	<b>13.5</b>
<b>Memorandum items:</b>								
Gross loans and advances to customers <sup>B</sup>	134,090	120,665	11.1	3.2	99,731	90,459	10.2	1.8
Customer funds	137,206	117,548	16.7	8.7	91,865	76,972	19.3	10.2
Customer deposits <sup>C</sup>	111,004	96,315	15.3	7.2	77,775	66,385	17.2	8.1
Mutual funds	26,202	21,233	23.4	15.4	14,090	10,586	33.1	22.8
<b>Ratios (%), operating means and customers</b>								
Underlying RoTE	13.10	6.95	6.15		13.62	4.66	8.96	
Efficiency ratio	45.2	42.4	2.8		43.3	41.8	1.5	
NPL ratio	2.42	2.23	0.19		2.33	2.04	0.28	
Total coverage ratio	134.9	182.6	(47.6)		150.3	210.4	(60.1)	
Number of employees	43,595	38,706	12.6		15,674	16,125	(2.8)	
Number of branches	1,859	1,958	(5.1)		488	585	(16.6)	
Number of loyal customers (thousands)	4,226	3,942	7.2		373	347	7.6	
Number of digital customers (thousands)	6,706	6,127	9.5		1,036	1,011	2.5	

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

## Primary segments

EUR million

	Mexico				Other North America			
Underlying income statement	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
Net interest income	2,799	2,825	(0.9)	(2.5)	—	1	(26.9)	(26.9)
Net fee income	828	772	7.3	5.6	34	24	41.7	41.7
Gains (losses) on financial transactions <sup>A</sup>	72	134	(45.9)	(46.7)	—	(1)	(84.3)	(84.3)
Other operating income	(120)	(79)	51.0	48.6	(11)	(1)	—	—
<b>Total income</b>	<b>3,579</b>	<b>3,651</b>	<b>(2.0)</b>	<b>(3.5)</b>	<b>23</b>	<b>23</b>	<b>0.4</b>	<b>0.4</b>
Administrative expenses and amortizations	(1,643)	(1,552)	5.8	4.2	(127)	(46)	176.6	176.6
<b>Net operating income</b>	<b>1,936</b>	<b>2,098</b>	<b>(7.7)</b>	<b>(9.2)</b>	<b>(104)</b>	<b>(23)</b>	<b>354.2</b>	<b>354.2</b>
Net loan-loss provisions	(791)	(979)	(19.2)	(20.5)	—	—	(80.9)	(80.9)
Other gains (losses) and provisions	(19)	(37)	(48.6)	(49.4)	(10)	(2)	472.8	472.8
<b>Profit before tax</b>	<b>1,126</b>	<b>1,082</b>	<b>4.1</b>	<b>2.5</b>	<b>(114)</b>	<b>(25)</b>	<b>354.3</b>	<b>354.3</b>
Tax on profit	(231)	(259)	(11.1)	(12.5)	7	5	45.3	45.3
<b>Profit from continuing operations</b>	<b>896</b>	<b>823</b>	<b>8.9</b>	<b>7.2</b>	<b>(108)</b>	<b>(21)</b>	<b>422.2</b>	<b>422.2</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>896</b>	<b>823</b>	<b>8.9</b>	<b>7.2</b>	<b>(108)</b>	<b>(21)</b>	<b>422.2</b>	<b>422.2</b>
Non-controlling interests	(61)	(61)	0.7	(0.9)	—	—	—	—
<b>Underlying profit attributable to the parent</b>	<b>835</b>	<b>762</b>	<b>9.6</b>	<b>7.8</b>	<b>(108)</b>	<b>(20)</b>	<b>434.3</b>	<b>434.3</b>
<b>Balance sheet</b>								
Loans and advances to customers	33,860	29,565	14.5	8.5	20	15	34.4	34.4
Cash, central banks and credit institutions	10,593	11,854	(10.6)	(15.3)	231	197	17.0	17.0
Debt instruments	22,159	24,315	(8.9)	(13.7)	—	4	(100.0)	(100.0)
Other financial assets	8,297	10,982	(24.5)	(28.4)	0	76	(99.5)	(99.5)
Other asset accounts	3,474	3,523	(1.4)	(6.6)	282	193	46.2	46.2
<b>Total assets</b>	<b>78,383</b>	<b>80,239</b>	<b>(2.3)</b>	<b>(7.5)</b>	<b>533</b>	<b>485</b>	<b>9.9</b>	<b>9.9</b>
Customer deposits	38,820	35,457	9.5	3.7	11	17	(38.3)	(38.3)
Central banks and credit institutions	13,183	16,977	(22.3)	(26.4)	25	51	(49.7)	(49.7)
Marketable debt securities	6,579	6,847	(3.9)	(9.0)	—	—	—	—
Other financial liabilities	10,559	11,830	(10.7)	(15.4)	54	23	140.4	140.4
Other liabilities accounts	2,022	2,628	(23.1)	(27.1)	32	31	3.2	3.2
<b>Total liabilities</b>	<b>71,162</b>	<b>73,739</b>	<b>(3.5)</b>	<b>(8.6)</b>	<b>123</b>	<b>122</b>	<b>0.8</b>	<b>0.8</b>
<b>Total equity</b>	<b>7,221</b>	<b>6,500</b>	<b>11.1</b>	<b>5.2</b>	<b>410</b>	<b>363</b>	<b>13.0</b>	<b>13.0</b>
<i>Memorandum items:</i>								
Gross loans and advances to customers <sup>B</sup>	34,339	30,191	13.7	7.8	20	15	31.8	31.8
Customer funds	45,330	40,558	11.8	5.9	11	17	(38.3)	(38.3)
Customer deposits <sup>C</sup>	33,218	29,912	11.1	5.2	11	17	(38.3)	(38.3)
Mutual funds	12,112	10,646	13.8	7.8	—	—	—	—
<b>Ratios (%), operating means and customers</b>								
Underlying RoTE	13.91	14.38	(0.47)					
Efficiency ratio	45.9	42.5	3.4					
NPL ratio	2.73	2.81	(0.08)					
Total coverage ratio	95.0	120.8	(25.8)					
Number of employees	27,266	22,246	22.6					
Number of branches	1,371	1,373	(0.1)					
Number of loyal customers (thousands)	3,853	3,595	7.2					
Number of digital customers (thousands)	5,499	5,000	10.0					

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

## Primary segments

EUR million

Underlying income statement	South America				Brazil			
	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
Net interest income	11,323	10,723	5.6	14.0	7,875	7,625	3.3	13.2
Net fee income	3,721	3,589	3.7	12.7	2,728	2,824	(3.4)	5.9
Gains (losses) on financial transactions <sup>A</sup>	716	765	(6.5)	0.4	376	467	(19.6)	(11.9)
Other operating income	(407)	(210)	94.0	112.7	(95)	(51)	87.1	105.0
<b>Total income</b>	<b>15,353</b>	<b>14,868</b>	<b>3.3</b>	<b>11.6</b>	<b>10,884</b>	<b>10,866</b>	<b>0.2</b>	<b>9.8</b>
Administrative expenses and amortizations	(5,380)	(5,357)	0.4	8.4	(3,236)	(3,541)	(8.6)	0.1
<b>Net operating income</b>	<b>9,974</b>	<b>9,511</b>	<b>4.9</b>	<b>13.4</b>	<b>7,649</b>	<b>7,325</b>	<b>4.4</b>	<b>14.4</b>
Net loan-loss provisions	(3,251)	(3,924)	(17.2)	(10.5)	(2,715)	(3,018)	(10.0)	(1.4)
Other gains (losses) and provisions	(474)	(321)	48.0	63.9	(316)	(263)	20.4	31.9
<b>Profit before tax</b>	<b>6,249</b>	<b>5,267</b>	<b>18.6</b>	<b>28.3</b>	<b>4,618</b>	<b>4,045</b>	<b>14.2</b>	<b>25.1</b>
Tax on profit	(2,364)	(1,923)	23.0	33.7	(2,029)	(1,693)	19.8	31.3
<b>Profit from continuing operations</b>	<b>3,884</b>	<b>3,344</b>	<b>16.2</b>	<b>25.2</b>	<b>2,589</b>	<b>2,352</b>	<b>10.1</b>	<b>20.6</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>3,884</b>	<b>3,344</b>	<b>16.2</b>	<b>25.2</b>	<b>2,589</b>	<b>2,352</b>	<b>10.1</b>	<b>20.6</b>
Non-controlling interests	(556)	(436)	27.5	33.6	(263)	(238)	10.5	21.1
<b>Underlying profit attributable to the parent</b>	<b>3,328</b>	<b>2,907</b>	<b>14.5</b>	<b>23.9</b>	<b>2,325</b>	<b>2,113</b>	<b>10.0</b>	<b>20.6</b>
<b>Balance sheet</b>								
Loans and advances to customers	123,920	113,745	8.9	12.7	73,085	63,974	14.2	13.3
Cash, central banks and credit institutions	43,134	43,154	0.0	1.4	28,400	31,466	(9.7)	(10.5)
Debt instruments	51,451	49,303	4.4	5.9	37,078	37,655	(1.5)	(2.4)
Other financial assets	23,809	17,342	37.3	45.1	10,129	6,877	47.3	46.0
Other asset accounts	15,491	15,201	1.9	4.0	10,755	10,600	1.5	0.6
<b>Total assets</b>	<b>257,805</b>	<b>238,746</b>	<b>8.0</b>	<b>11.0</b>	<b>159,446</b>	<b>150,573</b>	<b>5.9</b>	<b>5.0</b>
Customer deposits	120,500	111,808	7.8	10.7	74,475	70,083	6.3	5.4
Central banks and credit institutions	44,303	42,040	5.4	8.3	27,664	26,350	5.0	4.1
Marketable debt securities	23,461	21,280	10.2	14.5	13,737	11,901	15.4	14.5
Other financial liabilities	40,490	35,456	14.2	17.3	25,503	23,536	8.4	7.4
Other liabilities accounts	8,610	8,334	3.3	5.0	5,283	6,157	(14.2)	(14.9)
<b>Total liabilities</b>	<b>237,364</b>	<b>218,918</b>	<b>8.4</b>	<b>11.4</b>	<b>146,662</b>	<b>138,026</b>	<b>6.3</b>	<b>5.4</b>
<b>Total equity</b>	<b>20,441</b>	<b>19,828</b>	<b>3.1</b>	<b>5.7</b>	<b>12,785</b>	<b>12,547</b>	<b>1.9</b>	<b>1.0</b>
<b>Memorandum items:</b>								
Gross loans and advances to customers <sup>B</sup>	128,916	118,784	8.5	12.3	76,569	67,424	13.6	12.6
Customer funds	162,212	153,241	5.9	8.5	105,095	100,351	4.7	3.8
Customer deposits <sup>C</sup>	110,875	103,319	7.3	10.5	64,890	61,627	5.3	4.4
Mutual funds	51,337	49,922	2.8	4.4	40,205	38,725	3.8	2.9
<b>Ratios (%), operating means and customers</b>								
Underlying RoTE	20.28	17.72	2.56		21.49	19.16	2.33	
Efficiency ratio	35.0	36.0	(1.0)		29.7	32.6	(2.9)	
NPL ratio	4.50	4.39	0.11		4.88	4.59	0.29	
Total coverage ratio	98.3	97.4	0.9		111.2	113.2	(2.0)	
Number of employees	74,970	65,587	14.3		52,871	43,258	22.2	
Number of branches	4,469	4,431	0.9		3,614	3,571	1.2	
Number of loyal customers (thousands)	10,625	8,614	23.3		8,037	6,382	25.9	
Number of digital customers (thousands)	23,771	20,315	17.0		18,351	15,556	18.0	

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

## Primary segments

EUR million

	Chile				Argentina			
Underlying income statement	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
Net interest income	1,984	1,787	11.0	10.4	1,070	912	17.3	32.2
Net fee income	394	335	17.8	17.2	420	273	53.9	73.5
Gains (losses) on financial transactions <sup>A</sup>	131	174	(24.7)	(25.1)	147	62	137.4	167.7
Other operating income	(52)	(32)	62.5	61.6	(245)	(119)	105.3	131.4
<b>Total income</b>	<b>2,457</b>	<b>2,263</b>	<b>8.5</b>	<b>7.9</b>	<b>1,393</b>	<b>1,128</b>	<b>23.4</b>	<b>39.2</b>
Administrative expenses and amortizations	(942)	(900)	4.7	4.1	(805)	(632)	27.4	43.6
<b>Net operating income</b>	<b>1,514</b>	<b>1,363</b>	<b>11.1</b>	<b>10.5</b>	<b>587</b>	<b>496</b>	<b>18.5</b>	<b>33.5</b>
Net loan-loss provisions	(341)	(594)	(42.6)	(43.0)	(140)	(226)	(37.9)	(30.0)
Other gains (losses) and provisions	(16)	16	—	—	(136)	(70)	93.6	118.3
<b>Profit before tax</b>	<b>1,158</b>	<b>785</b>	<b>47.5</b>	<b>46.7</b>	<b>311</b>	<b>200</b>	<b>55.8</b>	<b>75.7</b>
Tax on profit	(230)	(155)	48.0	47.2	(35)	(19)	83.8	107.2
<b>Profit from continuing operations</b>	<b>928</b>	<b>629</b>	<b>47.4</b>	<b>46.6</b>	<b>275</b>	<b>180</b>	<b>52.8</b>	<b>72.3</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>928</b>	<b>629</b>	<b>47.4</b>	<b>46.6</b>	<b>275</b>	<b>180</b>	<b>52.8</b>	<b>72.3</b>
Non-controlling interests	(291)	(197)	47.7	46.9	(2)	(1)	25.9	41.9
<b>Underlying profit attributable to the parent</b>	<b>637</b>	<b>432</b>	<b>47.3</b>	<b>46.5</b>	<b>274</b>	<b>179</b>	<b>53.0</b>	<b>72.5</b>
<b>Balance sheet</b>								
Loans and advances to customers	37,849	39,381	(3.9)	6.3	5,173	4,151	24.6	40.5
Cash, central banks and credit institutions	6,773	5,836	16.0	28.4	5,243	3,048	72.0	93.9
Debt instruments	10,955	8,365	31.0	44.9	1,358	1,897	(28.4)	(19.3)
Other financial assets	13,469	10,221	31.8	45.8	92	59	55.1	74.9
Other asset accounts	2,942	3,076	(4.4)	5.8	966	832	16.1	30.9
<b>Total assets</b>	<b>71,987</b>	<b>66,880</b>	<b>7.6</b>	<b>19.1</b>	<b>12,832</b>	<b>9,988</b>	<b>28.5</b>	<b>44.8</b>
Customer deposits	29,525	28,362	4.1	15.2	9,170	7,179	27.7	44.0
Central banks and credit institutions	12,109	11,611	4.3	15.4	645	840	(23.2)	(13.4)
Marketable debt securities	9,264	9,247	0.2	10.8	204	20	911.8	—
Other financial liabilities	13,841	11,162	24.0	37.2	1,013	657	54.0	73.7
Other liabilities accounts	2,543	1,519	67.4	85.2	443	359	23.3	39.0
<b>Total liabilities</b>	<b>67,282</b>	<b>61,902</b>	<b>8.7</b>	<b>20.2</b>	<b>11,475</b>	<b>9,056</b>	<b>26.7</b>	<b>42.9</b>
<b>Total equity</b>	<b>4,705</b>	<b>4,978</b>	<b>(5.5)</b>	<b>4.6</b>	<b>1,357</b>	<b>931</b>	<b>45.6</b>	<b>64.2</b>
Memorandum items:								
Gross loans and advances to customers <sup>B</sup>	38,930	40,593	(4.1)	6.1	5,454	4,395	24.1	39.9
Customer funds	37,847	37,873	(0.1)	10.6	11,891	8,795	35.2	52.4
Customer deposits <sup>C</sup>	29,484	28,330	4.1	15.1	9,170	7,179	27.7	44.0
Mutual funds	8,363	9,543	(12.4)	(3.0)	2,721	1,616	68.4	89.9
<b>Ratios (%), operating means and customers</b>								
Underlying RoTE	19.28	13.19	6.09	27.44	26.24	1.20		
Efficiency ratio	38.4	39.8	(1.4)	57.8	56.0	1.8		
NPL ratio	4.43	4.79	(0.36)	3.61	2.11	1.50		
Total coverage ratio	63.3	61.4	1.9	153.8	275.1	(121.3)		
Number of employees	10,574	10,835	(2.4)	8,620	9,159	(5.9)		
Number of branches	326	346	(5.8)	411	408	0.7		
Number of loyal customers (thousands)	832	764	8.9	1,614	1,356	19.0		
Number of digital customers (thousands)	2,017	1,547	30.4	2,730	2,650	3.0		

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

## Primary segments

EUR million

Underlying income statement	Other South America				Digital Consumer Bank			
	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
Net interest income	395	399	(1.0)	8.0	4,281	4,263	0.4	(0.4)
Net fee income	179	158	13.3	21.5	821	771	6.4	6.4
Gains (losses) on financial transactions <sup>A</sup>	62	62	(0.1)	9.7	8	16	(46.3)	(43.5)
Other operating income	(15)	(8)	96.2	117.1	228	116	96.4	92.1
<b>Total income</b>	<b>620</b>	<b>611</b>	<b>1.5</b>	<b>10.3</b>	<b>5,339</b>	<b>5,166</b>	<b>3.3</b>	<b>2.6</b>
Administrative expenses and amortizations	(397)	(284)	39.8	49.4	(2,405)	(2,329)	3.3	2.6
<b>Net operating income</b>	<b>223</b>	<b>327</b>	<b>(31.7)</b>	<b>(24.6)</b>	<b>2,934</b>	<b>2,837</b>	<b>3.4</b>	<b>2.5</b>
Net loan-loss provisions	(55)	(86)	(36.3)	(30.6)	(527)	(957)	(44.9)	(45.5)
Other gains (losses) and provisions	(7)	(3)	89.5	97.9	(194)	49	0.0	0.0
<b>Profit before tax</b>	<b>162</b>	<b>238</b>	<b>(31.8)</b>	<b>(24.4)</b>	<b>2,213</b>	<b>1,929</b>	<b>14.8</b>	<b>13.8</b>
Tax on profit	(70)	(55)	27.2	41.4	(536)	(495)	8.2	7.5
<b>Profit from continuing operations</b>	<b>92</b>	<b>183</b>	<b>(49.4)</b>	<b>(44.0)</b>	<b>1,678</b>	<b>1,433</b>	<b>17.0</b>	<b>15.9</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>92</b>	<b>183</b>	<b>(49.4)</b>	<b>(44.0)</b>	<b>1,678</b>	<b>1,433</b>	<b>17.0</b>	<b>15.9</b>
Non-controlling interests	—	—	—	—	(346)	(301)	15	15
<b>Underlying profit attributable to the parent</b>	<b>92</b>	<b>183</b>	<b>(49.7)</b>	<b>(44.3)</b>	<b>1,332</b>	<b>1,133</b>	<b>17.6</b>	<b>16.2</b>
<b>Balance sheet</b>								
Loans and advances to customers	7,813	6,239	25.2	27.6	113,936	113,257	0.6	(0.6)
Cash, central banks and credit institutions	2,718	2,803	(3.0)	(3.1)	33,482	21,754	53.9	53.1
Debt instruments	2,061	1,386	48.7	48.8	5,280	5,660	(6.7)	(7.1)
Other financial assets	119	185	(35.8)	(35.0)	47	30	57.3	56.4
Other asset accounts	828	692	19.6	20.3	6,937	6,149	12.8	11.0
<b>Total assets</b>	<b>13,539</b>	<b>11,306</b>	<b>19.8</b>	<b>21.1</b>	<b>159,683</b>	<b>146,851</b>	<b>8.7</b>	<b>7.5</b>
Customer deposits	7,331	6,184	18.5	18.1	55,327	51,399	7.6	6.7
Central banks and credit institutions	3,885	3,239	20.0	25.0	49,109	41,567	18.1	16.1
Marketable debt securities	255	112	127.2	131.6	36,710	35,965	2.1	1.3
Other financial liabilities	134	101	33.2	34.6	1,397	1,370	2.0	0.9
Other liabilities accounts	340	298	14.0	13.9	4,565	3,940	15.8	15.2
<b>Total liabilities</b>	<b>11,945</b>	<b>9,934</b>	<b>20.2</b>	<b>21.6</b>	<b>147,108</b>	<b>134,241</b>	<b>9.6</b>	<b>8.4</b>
<b>Total equity</b>	<b>1,595</b>	<b>1,372</b>	<b>16.2</b>	<b>16.8</b>	<b>12,575</b>	<b>12,610</b>	<b>(0.3)</b>	<b>(1.7)</b>
Memorandum items:								
Gross loans and advances to customers <sup>B</sup>	7,963	6,373	25.0	27.3	116,580	116,083	0.4	(0.8)
Customer funds	7,378	6,222	18.6	18.2	57,824	52,058	11.1	10.2
Customer deposits <sup>C</sup>	7,331	6,184	18.5	18.1	55,327	51,399	7.6	6.7
Mutual funds	48	38	25.3	22.4	2,497	658	279.4	279.4
<b>Ratios (%), operating means and customers</b>								
Underlying RoTE	14.05	11.77	2.27					
Efficiency ratio	45.0	45.0	(0.04)					
NPL ratio	2.13	2.17	(0.04)					
Total coverage ratio	107.8	113.3	(5.54)					
Number of employees	15,840	16,172	(2.1)					
Number of branches	309	353	(12.46)					
Number of total customers (thousands)	19,437	19,611	(0.89)					

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.



## Secondary segments

EUR million

Underlying income statement	Retail Banking				Corporate & Investment Banking			
	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
Net interest income	31,389	30,056	4.4	7.0	2,995	2,918	2.6	5.8
Net fee income	7,010	6,987	0.3	3.7	1,750	1,542	13.5	16.4
Gains (losses) on financial transactions <sup>A</sup>	920	1,132	(18.8)	(17.6)	684	670	2.1	8.7
Other operating income	318	(153)	—	—	263	202	30.1	29.3
<b>Total income</b>	<b>39,636</b>	<b>38,022</b>	<b>4.2</b>	<b>7.0</b>	<b>5,692</b>	<b>5,332</b>	<b>6.8</b>	<b>10.1</b>
Administrative expenses and amortizations	(17,193)	(17,286)	(0.5)	1.4	(2,301)	(2,038)	12.9	15.0
<b>Net operating income</b>	<b>22,443</b>	<b>20,736</b>	<b>8.2</b>	<b>11.6</b>	<b>3,392</b>	<b>3,294</b>	<b>3.0</b>	<b>7.1</b>
Net loan-loss provisions	(7,114)	(11,632)	(38.8)	(36.9)	(130)	(470)	(72.3)	(72.1)
Other gains (losses) and provisions	(2,064)	(1,238)	66.8	70.6	(11)	(135)	(92.2)	(91.9)
<b>Profit before tax</b>	<b>13,265</b>	<b>7,866</b>	<b>68.6</b>	<b>74.2</b>	<b>3,251</b>	<b>2,689</b>	<b>20.9</b>	<b>26.5</b>
Tax on profit	(4,052)	(2,524)	60.5	68.2	(937)	(773)	21.2	27.3
<b>Profit from continuing operations</b>	<b>9,213</b>	<b>5,342</b>	<b>72.5</b>	<b>77.0</b>	<b>2,314</b>	<b>1,916</b>	<b>20.8</b>	<b>26.2</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>9,213</b>	<b>5,342</b>	<b>72.5</b>	<b>77.0</b>	<b>2,314</b>	<b>1,916</b>	<b>20.8</b>	<b>26.2</b>
Non-controlling interests	(1,344)	(922)	45.8	49.1	(147)	(119)	24.1	31.2
<b>Underlying profit attributable to the parent</b>	<b>7,869</b>	<b>4,420</b>	<b>78.0</b>	<b>82.9</b>	<b>2,167</b>	<b>1,798</b>	<b>20.6</b>	<b>25.8</b>

A. Includes exchange differences.

## Secondary segments

EUR million

Underlying income statement	Wealth Management & Insurance				PagoNxt			
	2021	2020	%	% excl. FX	2021	2020	%	% excl. FX
Net interest income	375	394	(4.9)	(2.5)	1	(1)	—	—
Net fee income	1,276	1,153	10.7	12.5	493	362	36.3	43.9
Gains (losses) on financial transactions <sup>A</sup>	101	100	0.3	2.9	(1)	(2)	(44.4)	(43.6)
Other operating income	414	383	8.3	10.2	2	(3)	—	—
<b>Total income</b>	<b>2,166</b>	<b>2,030</b>	<b>6.7</b>	<b>8.7</b>	<b>495</b>	<b>356</b>	<b>38.9</b>	<b>46.6</b>
Administrative expenses and amortizations	(902)	(872)	3.5	5.2	(673)	(443)	52.0	57.0
<b>Net operating income</b>	<b>1,264</b>	<b>1,159</b>	<b>9.1</b>	<b>11.3</b>	<b>(178)</b>	<b>(86)</b>	<b>106.3</b>	<b>95.5</b>
Net loan-loss provisions	(27)	(28)	(4.6)	(4.5)	(10)	(12)	(16.5)	(9.5)
Other gains (losses) and provisions	10	1	—	—	(38)	(3)	—	—
<b>Profit before tax</b>	<b>1,247</b>	<b>1,132</b>	<b>10.2</b>	<b>12.6</b>	<b>(227)</b>	<b>(101)</b>	<b>124.3</b>	<b>115.6</b>
Tax on profit	(304)	(271)	12.1	14.0	(24)	(16)	51.0	71.2
<b>Profit from continuing operations</b>	<b>943</b>	<b>860</b>	<b>9.6</b>	<b>12.1</b>	<b>(251)</b>	<b>(117)</b>	<b>114.3</b>	<b>110.3</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>943</b>	<b>860</b>	<b>9.6</b>	<b>12.1</b>	<b>(251)</b>	<b>(117)</b>	<b>114.3</b>	<b>110.3</b>
Non-controlling interests	(36)	(38)	(4.1)	0.1	(2)	1	—	—
<b>Underlying profit attributable to the parent</b>	<b>907</b>	<b>823</b>	<b>10.3</b>	<b>12.7</b>	<b>(253)</b>	<b>(116)</b>	<b>117.9</b>	<b>113.9</b>

A. Includes exchange differences.