

 Santander

2010

SUSTAINABILITY  
REPORT





## REPORT SCOPE

This Report is the ninth annual document published by Santander on its Corporate Social Responsibility commitments and covers the period between January 1 and December 31, 2010. Since 2003, the Report has been verified by Deloitte S.L., an independent firm which also audited the Group's financial statements in these years.

The report covers the Bank's activities in Continental Europe, the United Kingdom, the United States and Latin America. The economic information was drawn up in accordance with Grupo Santander's definition for accounting purposes; the information on society and the environment was prepared on the same basis, whenever it was available. The limits on the scope of the information and changes in the applied criteria in respect to the last report, when they occur, are reflected in the corresponding section of the report and in the table of performance indicators of the Global Reporting Initiative (GRI).

## INTERNATIONAL STANDARDS

As in previous years, Santander, in drawing up this Report, continues to take into account the prevailing legal rules, guidelines and recommendations made by benchmark international organisations such as the Global Reporting Initiative (GRI), Global Compact and Accountability AA1000. It also includes relevant information for the socially responsible investment indices (FTSE4Good and Dow Jones Sustainability Index, DSJI) and rating agencies (Standard & Poor's, Vigeo and ISS Europe, among others).

## PROCESS FOR DRAWING UP THE REPORT

In order to prepare this Sustainability Report, a materiality study was conducted. Prior to that the relevant stakeholders with whom maintained a fluid dialogue during the year were identified. The details of this process, as well as the results of the materiality test, are provided on pages 58 and 59 of this document.







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## Emilio Botín

Four years after the international financial crisis blew up, Santander continues to be a reference in profitability, solvency and efficiency. Furthermore, we are also making progress in becoming a benchmark in the sphere of sustainability. In order to achieve this, it is essential to have a well-defined strategy, with a clear focus and aligned with business. This is the only way that business activities in terms of sustainability can be measured, consistent and profitable.

Banco Santander's sustainability strategy revolves around three large elements.

The first of them and the main focus of activity is investment in higher education. We are convinced that universities and companies must continue to increase their co-operation in order to create universities that are closer to and more useful for society, and which help to improve economic competitiveness and efficiency in a framework of socially responsible progress.

In 2010, Banco Santander invested EUR 148 million in corporate social responsibility projects, of which EUR 100 million was invested in higher education via Santander Universities, a long-term strategic alliance with universities that sets us apart, not only from the rest of financial institutions, but also from the rest of companies worldwide. And we continue to step up our commitment. In May 2010, at the Second Meeting of Universia Rectors in Guadalajara, Mexico, we announced we would invest EUR 600 million over the next five years in higher education.

Santander's significant investment in universities is articulated through more than 900 co-operation agreements that enable projects to be implemented to enhance education and research.

Particularly noteworthy are the 14,293 scholarships and grants to students, teachers and researchers, many of them to foster international travel, as well as other projects to spur innovation and the transfer of knowledge to society. During 2010 almost 180,000 university students and graduates obtained their first job via the Universia Network.

The second strategic element is our relation with the environment, especially in support of the communities in which we operate and protection of the environment. Large companies such as Santander cannot remain distant from society's real problems. We must get involved, provide answers and anticipate the new demands.

Santander carries out projects tailored to local social and economic circumstances. We have launched various initiatives mainly related to microcredit, financial education and volunteering, with a special focus on children's education, all of which contributes to our compliance with the United Nations Millennium Development Goals.

Furthermore, Banco Santander, via the Group's foundations, remains firmly committed to art and culture, which is another manifestation of our commitment to social progress.

In terms of the environment, we are also making significant progress by measuring and reducing our main consumption inputs as well as by integrating socio-environmental criteria into our credit analysis processes.

The third element is our long-term commitment to our stakeholders. We realise that sustainable business also means knowing how to respond at each moment to the real needs of:

- Shareholders: always striving for the best return.
- Customers: making quality of service our priority.
- Employees: supporting them with specific programmes to foster their professional and personal development.

All these initiatives and advances in various fields underscore the Bank's firm commitment to sustainability, a feature that is increasingly gaining importance, not only for investors and analysts, as highlighted in our meetings and roadshows, but also for our employees. Being a sustainable and responsible bank and committed to society and to the environment generates pride in belonging to the Group and helps to make our 180,000 professionals more motivated.

We are facing 2011 ambitiously, ready to continue to create sustainable value for our shareholders, customers and employees, as well as for the communities in which we operate. I am sure we will achieve it.



**Emilio Botín**  
CHAIRMAN



# MAIN FIGURES



## VISION

### A GLOBAL BANK

Santander is a large international financial Group, which strives to satisfy all the financial needs of its customers and provide an increasingly high return to its shareholders. To achieve this, it has a strong presence in 10 main markets, which it combines with corporate policies and global reach.

## VALUES

- **Dynamism** - Initiative and agility in identifying and exploiting business opportunities before our competitors and flexibility to adapt to changes in the market.
- **Strength** - The robustness of our balance sheet and prudent risk management are the best guarantees of our capacity to grow and generate shareholder value in the long term.
- **Innovation** - Constant search for products, services and processes which satisfy customer's needs and enable us to outperform our competitors in profitability.
- **Leadership** - Our purpose is to be leaders in all markets where we do business, founded on the best teams and a permanent focus on customers and results.
- **Commercial vocation and quality of service** - The customer is the focal point of our strategy. We are continuously improving customer capturing, satisfaction and linkage through a wide range of products and services, as well as an increasingly better quality of service.
- **Professional ethics and sustainability** - Over and above strict compliance with the laws, the Codes of Conduct and internal rules, all Banco Santander's professionals are required to work on the basis of sustainability criteria, characterised by the highest ethical standards both in their relations with society as well as with the environment.



# KEY FIGURES

BALANCE SHEET AND INCOME STATEMENT (million euros)	2010	2009	% 2010/2009	2008
Total assets	1,217,501	1,110,529	9.6	1,049,632
Customer loans (net)	724,154	682,551	6.1	626,888
Managed customer funds	985,269	900,057	9.5	826,567
Shareholders' funds (after distribution of dividends)	75,273	70,006	7.5	63,768
Total managed funds	1,362,289	1,245,420	9.4	1,168,355
Gross income	42,049	39,381	6.8	33,489
Net operating income	23,853	22,960	3.9	18,540
Results from discontinued operations	9,129	9,427	(3.2)	9,030
Attributable profit to the Group	8,181	8,943	(8.5)	8,876

## MAIN MANAGEMENT RATIOS (%)

Efficiency (with amortization)	43.3	41.7		44.6
ROE	11.8	13.9		17.1
ROA	0.8	0.9		0.9
Core capital	8.8	8.6		7.5
BIS ratio	13.1	14.2		13.3
Credits/deposits	117	135		158
Non-performing loan (NPL) ratio	3.5	3.2		2.0
NPL coverage	73	75		91

## DIMENSION

Number of customers (million)	97.2	92.0	5.6	87.2
Number of shareholders (million)	3.2	3.1	4.6	3.0
Number of employees	178,869	169,460	5.6	170,961
Number of branches	14,082	13,660	3.1	13,390

## SIGNIFICANT INDICATORS OF SUSTAINABILITY

### Economic value generated

<b>(gross income plus net profits from disposal of assets)</b>	<b>42,083</b>	<b>40,575</b>	—	<b>33,047</b>
Gross Income	42,049	40,204	—	30,896
Net result from discontinued operations	-27	31	—	319
Gains from the disposal of current assets not classified as for sale	350	1,565	—	101
Gains from the disposal of assets not classified as discontinued operations	-290	-1,225	—	1,731

### Distributed economic value

<b>Distributed economic value</b>	<b>22,509</b>	<b>20,153</b>	—	<b>18,314</b>
Dividends	3,330	4,122	—	4,812
Other administrative costs	6,402	5,935	—	4,447
Personnel costs	9,330	8,450	—	6,813
Tax on profits and other taxes <sup>(1)</sup>	3,299	1,520	—	2,115
CSR investment figure	148	126	—	126

### Retained economic value

<b>(economic value generated less that distributed)</b>	<b>19,573</b>	<b>20,422</b>	—	<b>14,733</b>
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(1) Only includes the spending on corporate tax and other taxes recorded in the year.

### ECONOMIC VALUE DISTRIBUTED TO SOCIETY

Million euros



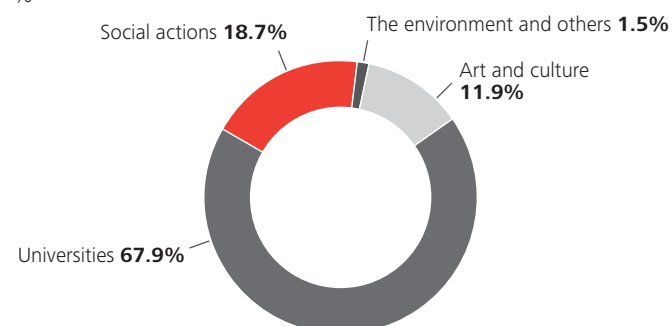
### INVESTMENT IN CORPORATE SOCIAL RESPONSIBILITY

Million euros



### DISTRIBUTION OF INVESTMENT IN CORPORATE SOCIAL RESPONSIBILITY

%





# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

### BANCO SANTANDER'S CORPORATE GOVERNANCE MODEL

#### Balanced and committed board

- Of the 20 directors, 14 are non-executive and 6 executive.

#### Equality of shareholders' rights

- Principle of "one share, one dividend, one vote".
- No anti-takeover measures in the corporate By-laws.
- Encourage the informed participation of shareholders in Meetings.

#### Maximum transparency, particularly regarding remuneration

- A model recognised by external institutions. Santander forms part of the DJSI and FTSE4Good indices since 2000 and 2003, respectively.

**Director**  
Lord Terence Burns

**Director**  
Mr Ángel Jado Becerro de Bengoa

**Director**  
Ms Ana Patricia Botín-Sanz de Sautuola y O'Shea

**Director**  
Mr Antonio Basagoiti García-Tuñón



**Director**  
Mr Guillermo de la Dehesa Romero

**Director**  
Mr Luis Ángel Rojo Duque

**Director**  
Mr Abel Matutes Juan

**Director**  
Mr Rodrigo Echenique Gordillo

Full information on corporate governance is available on pages 58 to 87 of the 2010 Annual Report, the Annual Report on Corporate Governance, the Report of the Audit and Compliance Committee and the report of the Appointments and Remuneration Committee, all of which can be found at [www.santander.com](http://www.santander.com)

#### NUMBER OF MEETINGS OF THE EXECUTIVE COMMITTEE, THE RISK COMMITTEE AND THE AUDIT AND COMPLIANCE COMMITTEE

Committees	2006	2007	2008	2009	2010
Executive	51	55	59	56	55
Risks	100	98	102	99	99
Audit and compliance	12	13	11	11	11
<b>Total meetings</b>	<b>163</b>	<b>166</b>	<b>172</b>	<b>166</b>	<b>165</b>

### BOARD OF DIRECTORS

Banco Santander's corporate governance, which meets the highest international standards, guarantees sustainable management in the long term and ensures compliance with the best international practices.

The board is a balanced organ, comprising 20 members, six of whom are executive directors and 14 non-executive. All of them are of recognised capacity, integrity and independence of mind. Noteworthy is the amount of time and dedication the directors give to their functions, particularly to management and supervision of risks.

The Board, within its powers, is the organ responsible for approving the Group's corporate strategy for sustainability.



- Executive committee
- Risk committee
- ▲ Audit and compliance committee
- Appointments and remuneration committee
- International committee
- △ Technology, productivity and quality committee

**Director**  
Mr Antonio Escámez Torres  
● ■ ■ △

**Chairman**  
Mr Emilio Botín-Sanz de Sautuola y García de los Ríos  
● ■ △

**Director**  
Ms Isabel Tocino Biscarolasaga

**Director**  
Mr Javier Botín-Sanz de Sautuola y O'Shea

**Director**  
Mr Luis Alberto Salazar-Simpson Bos  
▲ △

**Director**  
Assicurazioni Generali S.p.A. (Mr Antoine Bernheim)



**Fourth vice-chairman**  
Mr Manuel Soto Serrano  
▲ ● △

**Second vice-chairman and chief executive officer**  
Mr Alfredo Sáenz Abad  
● ■ △

**First vice-chairman**  
Mr Fernando de Asúa Álvarez  
● ■ ▲ ● △

**Third vice-chairman**  
Mr Matías Rodríguez Inciarte  
● ■

**Director**  
Mr Francisco Luzón López  
● ■

**Director**  
Mr Juan Rodríguez Inciarte  
■

**General secretary and of the board**  
Mr Ignacio Benjumea Cabeza de Vaca  
● ■ ▲ ● ■ △

## REMUNERATION POLICY

The remuneration policy for directors and the Bank's senior management is based on the following three elements:

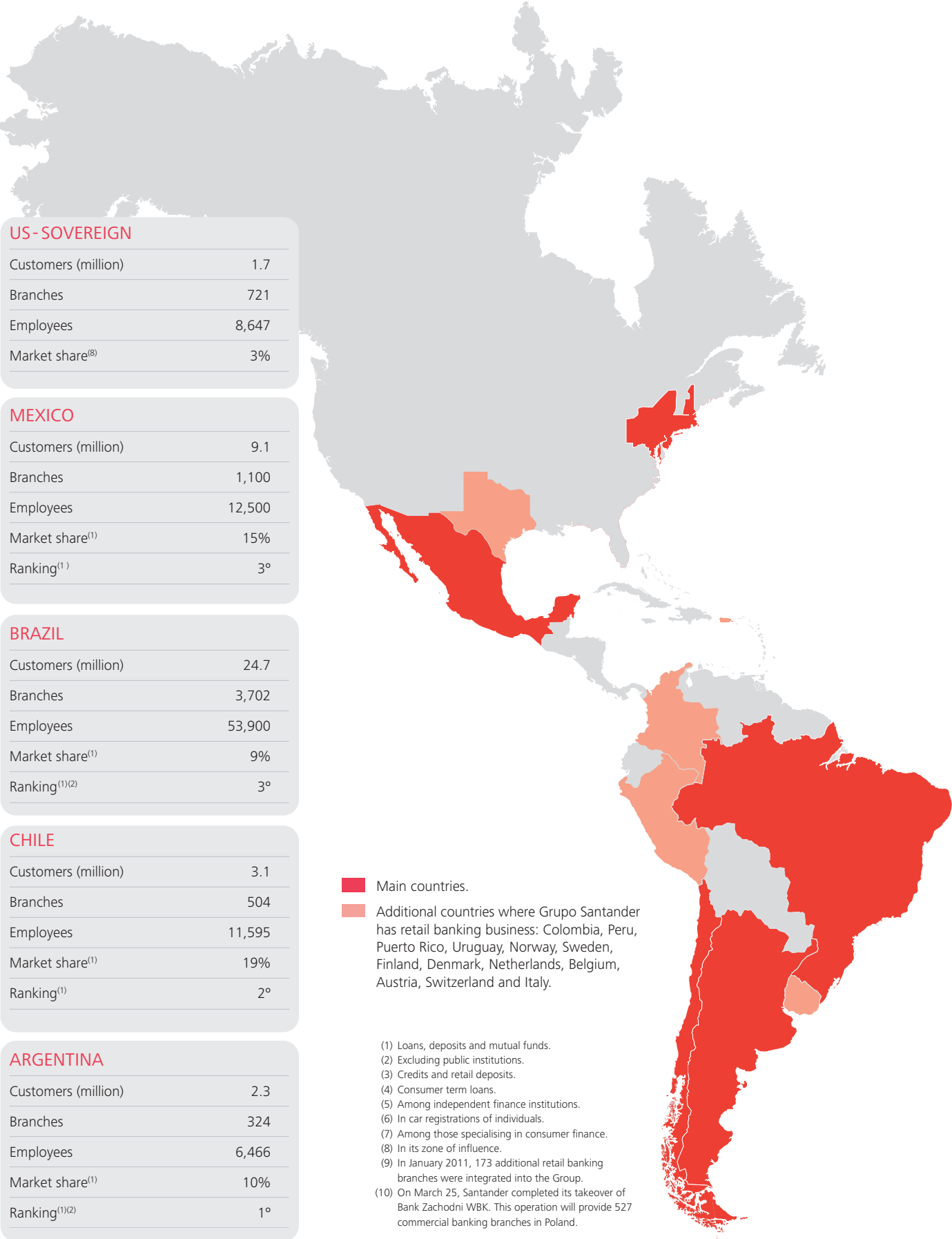
1. Transparency, as the fundamental principle that the board has fostered for years.
2. Anticipation and adapting to regulatory changes, given the importance that Santander has always attached to rigorous management of risk and a remuneration policy that sets out the criteria and foundations upon which the board rests for determining the remuneration of its members.
3. Involvement of the board, as it is the body which, at the proposal of the appointments and remuneration committee, approves the report on the remuneration policy for directors.

In 2010, the board submitted, for the first time, the report on the remuneration policy for directors to a consultative vote at the AGM. The report includes the criteria and foundations upon which the board rests for determining the remuneration of its members. Shareholders viewed this initiative very favourably; it was approved by close to 95% of the quorum at the meeting.

This measure joins others adopted by the board over the last decade and underscores its capacity to implement the best international practices in remuneration matters. In 2002, the Bank became a pioneer when it published an individualised breakdown and by items of the remuneration of each of its directors, and in 2005 it was the first to present to its shareholders' meeting the report of the appointments and remuneration committee. This report has included since 2007 the remuneration policy of directors for the preceding year and the one underway. In 2008, the regime on the transparency of directors' remuneration was incorporated to the corporate By-laws.



# BANCO SANTANDER'S BUSINESS MODEL





## BUSINESS MODEL PILLARS

### GEOGRAPHICAL DIVERSIFICATION

Means having a leadership position in 10 main markets.

### BUSINESS ORIENTATION

Means placing the customer at the centre of the activity of all the Bank.

### EFFICIENCY

Means transforming cost savings into more value for customers and shareholders.

### DISCIPLINED USE OF CAPITAL

Means being one of the world's most solid banks, both in terms of the size and quality of shareholders' funds.

### PRUDENCE IN RISKS

Means maintaining levels of non-performing loans and coverage better than the banking sector's average.

### BRAND

Means having a strong and attractive brand which expresses the Group's identity and positioning.

#### UNITED KINGDOM

Customers (million)	25.6
Branches	1,416
Employees	23,649
Market share <sup>(1)</sup>	11%
Ranking <sup>(3)</sup>	2°

#### GERMANY<sup>(9)</sup>

Customers (million)	6.2
Branches	142
Employees	3,483
Market share <sup>(4)</sup>	13%
Ranking <sup>(5)</sup>	1°

#### POLAND<sup>(10)</sup>

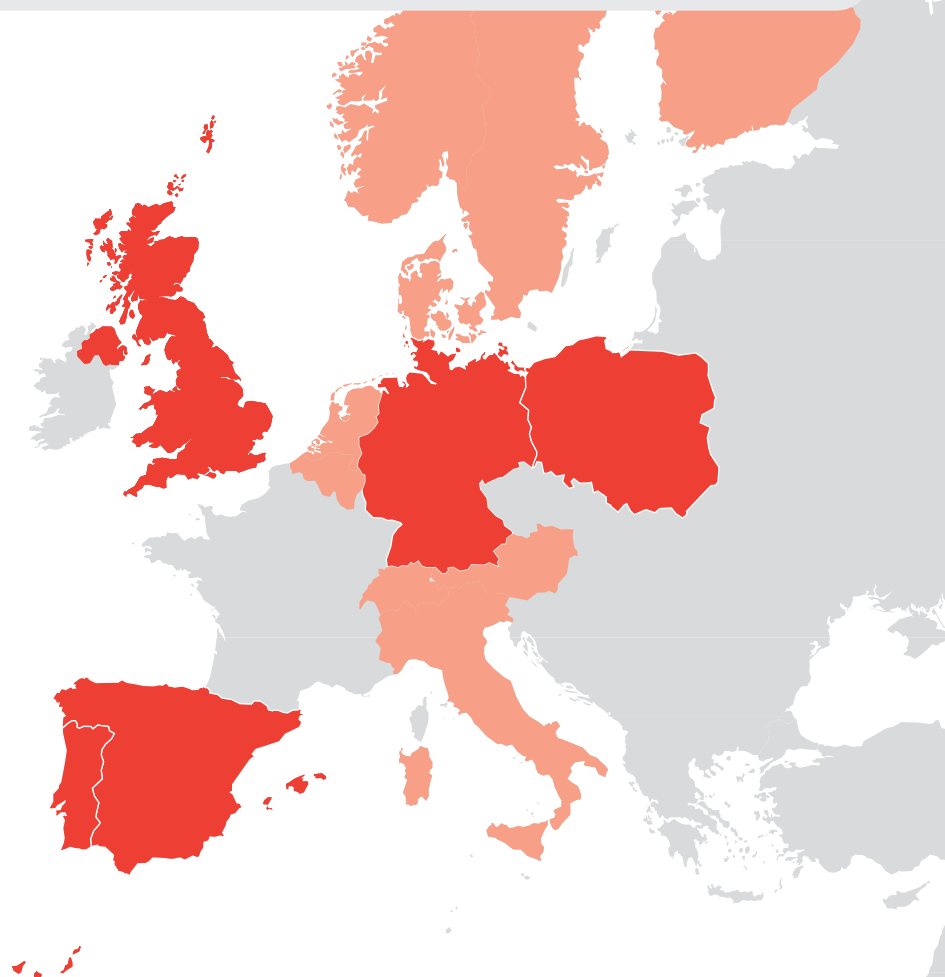
Customers (million)	1.8
Branches	213
Employees	2,751
Market share <sup>(6)</sup>	10%
Ranking <sup>(7)</sup>	2°

#### SPAIN

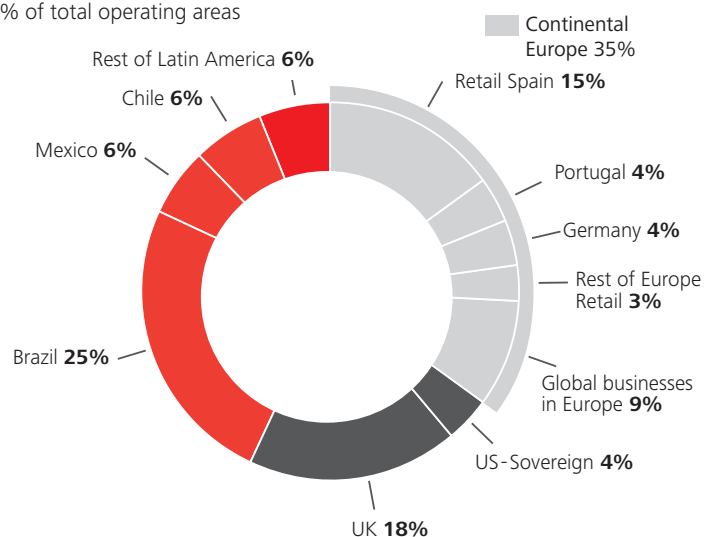
Customers (million)	14.4
Branches	4,848
Employees	33,694
Market share <sup>(1)</sup>	15%
Ranking <sup>(1)</sup>	1°

#### PORTUGAL

Customers (million)	1.9
Branches	759
Employees	6,214
Market share <sup>(1)</sup>	10%
Ranking <sup>(1)(2)</sup>	3°



ATTRIBUTABLE PROFIT BY GEOGRAPHICAL AREAS  
% of total operating areas



# SANTANDER AND SUSTAINABILITY

For Banco Santander sustainability is the performance of its business activity, contributing, moreover, to the economic progress of communities and taking into account its impact on society and on the environment

This commitment to sustainability means integrating ethical, social and environmental criteria into its management. A key element of this is solid corporate governance, spurred by a board balanced between executive and non-executive directors, with great professional capacity, integrity and independence of mind, and with a long-term vision.

In a very difficult environment, Santander has maintained itself as one of the world's main banks in terms of profits over the last four years. And it has done so thanks to a sustainable business model based on geographical diversification, the business strength of its branch network, disciplined use of capital and financial soundness, control of costs and prudent risk management.

Banco Santander conducts its commitment to sustainability through three large pillars:

- Investment in higher education. The main focus of Banco Santander's sustainability strategy is investment in higher education, as we are convinced that this is the best way to support countries' economic and social progress. Santander Universities is a unique programme in the world articulated through co-operation agreements with more than 900 universities, enabling projects on internationalisation, innovation, investigation and transfer of knowledge to be put into effect.

- Support for the environment, particularly the community and preservation of the environment. The Bank carries out local development projects in the countries where it operates, tailored to the economic and social circumstances of each community, as well as measures to support the environment.
- Stable and lasting relations with its stakeholders:
  - Shareholders, always striving for the best return, with the maximum transparency in information via continuous and fluid channels of dialogue, and fostering their participation in the Group's trajectory.
  - Customers, providing them with the best products and services, with constant innovation and particular attention paid to socially responsible products.
  - Employees, with training and development programmes, fostering equality of opportunity and the work-life balance.
  - Suppliers, promoting transparency in the awarding of contracts, with relations based on mutual respect.

In 2010, Banco Santander invested EUR 148 million in corporate social responsibility projects, EUR 100 million of which was invested in higher education through Santander Universities.





## SUSTAINABILITY COMMITTEE

In order to integrate sustainability into its business model, Banco Santander has a sustainability committee whose function is to define the Group's corporate social responsibility strategy and submit it for the board's approval. This committee, which meets every six months, is chaired by the CEO and comprises representatives from different business and support areas.

Executives from areas such as human resources, risk and global wholesale banking, and countries such as Brazil, which has a leadership position in the sphere of sustainability, are present in the committee.

In 2010, the committee approved six significant strategic corporate projects. Each of these initiatives is led and managed by the corresponding division:

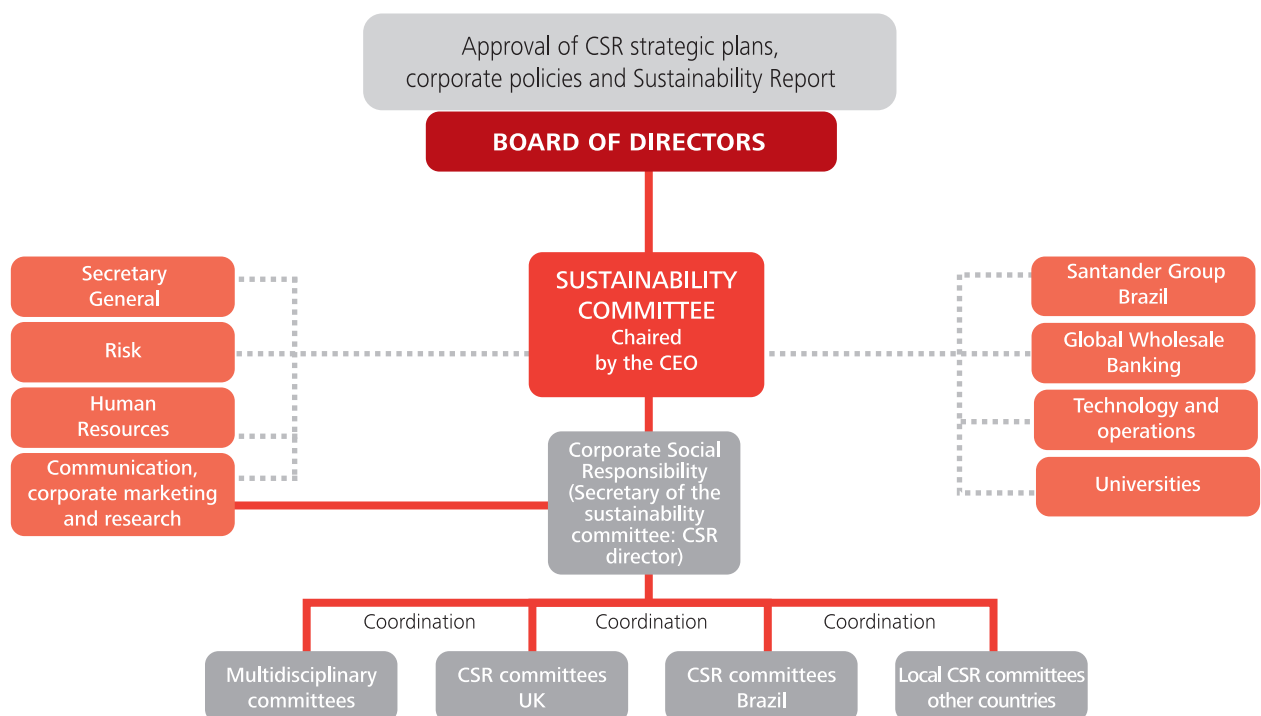
- Foster the analysis of social and environmental risk in credit operations, led by the risk division.
- Energy efficiency plan: three-year plan to reduce the consumption of electricity and emissions of CO<sub>2</sub>, led by Santander Global Facilities.
- Financial education corporate plan: the objective is to improve society's knowledge in general on basic aspects of the economy and finances. The main means that Santander will use to disseminate this knowledge is the wide network of universities that co-operate with Santander Universities.
- Corporate volunteering programme: Banco Santander signed an agreement with Unicef as a starting point for Santander Committed Volunteers, a corporate programme that will begin to be developed in Spain

and then extended to other countries. Through this programme, the Bank and employees who participate in it, will contribute to the teaching to read and write of 15,000 children and teenagers in the state of Oaxaca, Mexico.

- Santander Pensions Spain signed its adherence to the Principles of Socially Responsible Investment.
- Approval of the corporate policy of human rights. This reflects the Bank's commitment in matters of human rights and in relation to its various stakeholders. This policy brings together the internal rules that govern the Bank's and employees' performance, in accordance with the best ethical criteria regarding corporate governance, the environment and society.

These initiatives have been put into practice and enabled Banco Santander to advance decisively in the sphere of sustainability. Also particularly relevant is the role of Santander Brazil and Santander UK, key players in disseminating best practices within the Group.

## STRUCTURE OF THE SUSTAINABILITY FUNCTION IN GRUPO SANTANDER



The international market values and recognises Banco Santander's sustainability management. The Santander share forms part of the DSI and the FTSE4Good indices, the main international socially responsible investment indices.

Meanwhile, investors and analysts are showing an increasing interest in the features related to sustainability and want to better know the non-financial elements of the business model of sustainable companies. The best reflection of this growing interest are the meetings held in 2010 by Banco Santander in various countries with more than 50 investors and analysts in order to explain and analyse the Bank's sustainability strategy.

The sustainability Report is the Group's main tool for communicating corporate social responsibility matters. It aims to transmit the Bank's principles and actions in the community, the environment and in its relations with its stakeholders. It is supplemented by the section on sustainability at [www.santander.com](http://www.santander.com) and by the sustainability reports of various of the Group's countries.

The sections that follow detail those issues which have been identified as significant, in accordance with the Bank's strategy and with stakeholders' expectations and demands.

## INTERNATIONAL INITIATIVES THAT BANCO SANTANDER ADHERES TO OR IS PRESENT IN

United Nations Global Compact

UNEP Finance Initiative

Equator principles

The Spanish Government's State Council of Corporate Social Responsibility

Carbon Disclosure Project

Forge Group

Brazilian Institute of Governance

Roundtable on Responsible Soy

Wolfsberg Group

Banking & Environment Initiative

## SUSTAINABILITY AND CORPORATE REPUTATION

Santander is a sustainable brand reflecting the Bank's commitment to the economic progress of the communities where it is present. Santander is aware of the impact of its activity on society and on the environment.

The Santander brand represents:

### INTERNATIONAL AND LOCAL LEADERSHIP

It is one of the three leading banks in its 10 core markets, and thanks to this we have remained among the 12 largest banks in the world by market capitalisation over the past few years.

### CONFIDENCE AND SECURITY

Because Santander is a safe, strong and solvent bank. This is one of the features that have most differentiated Banco Santander during the current crisis.

### PROXIMITY TO CUSTOMERS

Santander is the international bank with the most branches in the world (14,082).

### QUALITY OF SERVICE

Santander offers its customers products and services that best meet their needs and puts the emphasis on service quality.

### INTERNATIONAL PRESTIGE

Santander is a global brand, with recognition and prestige throughout the world. According to Brand Finance, Santander is already the fourth most valuable brand among international banks, and InterBrand includes Banco Santander in its ranking of the world's Top 100 brands.

### CAPACITY TO ATTRACT AND RETAIN THE BEST PROFESSIONALS

They are offered the best professional and personal opportunities.

### SUSTAINABILITY

Commitment to the community, with the focus on higher education and committed to protecting and preserving the environment.



## MANAGEMENT OF REPUTATION RISK AND COMPLIANCE WITH REGULATIONS

Prudent risk management has been a hallmark of Banco Santander since it was founded more than 150 years ago. This focus has played a decisive role in the recurring growth of its results and in generating value for its stakeholders.

The risk committee is responsible for the Group's global management of risk, as well as for proposing to the Board, for its approval, the risk policy and, in particular, identifying and assessing the various types of risk (financial, operational, technological, legal and reputational, among others).

Banco Santander defines reputational risk as that linked to the perception of the Bank by its various stakeholders, both internal and external, of its activity, and which could have an adverse impact on results or business development expectations.

The Internal Auditing Division, as provided in their planning, checking the adequacy and proper functioning of the anti-fraud procedures and controls within the different units of the Group, highlighting the review of accounting controls, remote monitoring and witness audits at branches and reviews on computer security technology platforms.

This risk includes juridical, economic-financial, ethical, social and environmental features.

Compliance risk is the risk of receiving economic or non-economic sanctions, or being subject to other types of disciplinary measures by supervisory bodies for failing to comply with laws, regulations, rules, self-regulation standards and codes of conduct applicable to their activities.

The compliance function focuses on those operational spheres where the Group's exposure to reputational and compliance risks is greatest. These are:

- Conduct in the securities markets.
- Marketing of products and services.
- Prevention of money laundering and financing of terrorism.
- Relations with regulators and supervisors.
- Preparing and disseminating the Group's institutional information.

### Prevention of money laundering and financing of terrorism

It is a strategic objective for Banco Santander, as a socially responsible organisation, to have a system to prevent money laundering and the financing of terrorism. This system must be advanced and efficient, as well as constantly adapted to the latest international regulations and with the capacity to meet new techniques by criminal organisations.

In 2010, no unit of Grupo Santander in the world was subject to corrective measures of sanctions issued by supervision or regulatory authorities, as a result of non-compliance or weaknesses in the sphere of preventing money laundering or the financing of terrorism.

The organisation to prevent money laundering and the financing of terrorism has three pillars: the central department for the prevention of money laundering (CDPML), executives in charge of prevention and the analysis and resolution committee.

The CDPML carried out actions to fully adapt the units to the rules that transpose the third directive of the European Union, mainly regarding the requirement for customer risk segmentation in the process of contracting, and the establishment of due diligence differentiated on the basis of the risk (reinforced, standard or simplified).

### MAIN INDICATORS OF ACTIVITY

Number of subsidiaries reviewed	171
Number of cases investigated	70,102
Number of reports sent to authorities	16,830
Number of employees trained	84,820

One of the Group's priorities in this sphere is to take the necessary steps so that all employees know the requirements resulting from the prevailing regulations. The aim of the training actions is to enable employees to detect these operations and instruct them in what to do.

In 2010, 84,820 employees received training on prevention of money laundering (a total of 126,863 hours).

### Offshore establishments

The Group's policy is not to create or acquire participations in special purpose vehicles or in entities domiciled in countries or territories regarded as tax havens with the specific authorisation of the board, or, when reasons of urgency make it advisable, the executive committee, later informing the board, following a report from the audit and compliance committee, and always after an analysis of the specific circumstances and justification of its opportuneness.

The audit and compliance committee is duly informed by the various areas of the activities carried out and the results obtained by the Group's offshore branches and companies, and it supervises the internal control exercised on them, in accordance with the Bank of Spain's recommendations in the 2003 Report on Banking Supervision in Spain.

The committee receives detailed information on the Group's actions under its policy of reducing the number of units in tax havens as well as the review work carried out by internal auditing. The conclusions of this review were satisfactory although some improvement recommendations were made and the schedule for implementing them.

Detailed information on risk management can be found on pages 150-207 of the 2010 Annual Report.

## NOTEWORTHY ADVANCES/INITIATIVES IN 2010

- Help for Haiti.



- Creation of the Retail Banking Corporate School.



- Publication of the 2009 Sustainability Report.
- Third "Santander is You" week.
- Adherence to the Banking and Environment Initiative.

### JANUARY 2010

### MARCH

### APRIL

### MAY

### JUNE



- Aid for the Chile earthquake.
- Santander Totta supports the reconstruction of Madeira.
- The Bank turns off its lights in its corporate buildings at the Earth Hour 2010.

- Grupo Santander Brazil attains certification, according to the ISO 14001 international regulation, which recognises the good practices of companies in environmental management.

- Second Meeting of Universia Rectors in Guadalajara, Mexico. More than 1,000 universities discussed the topic of a Latin American space for socially responsible knowledge.

## ORGANISATIONAL CHART OF BANCO SANTANDER'S CORPORATE SOCIAL RESPONSIBILITY ACCORDING TO INTERNATIONAL STANDARDS

	Aspects	Self-evaluation	Observations
<b>CORPORATE GOVERNANCE</b>			
	Shareholders' rights	●	Pioneers in full equality of shareholders
	Functioning of the Board	●	Balanced Board, dedicated and professional
	Transparent information	●	Anticipating the highest standards
	Human rights	●	Approval and publication of the corporate policy of human rights
<b>HIGHER EDUCATION</b>			
Universities	Support for higher education	●	Unique alliance with universities in the world
	Scholarship programme	●	14,293 scholarships in 395 universities
	First job	●	174,728 new jobs via Universia
	Innovation	●	Fostering new technologies EUR 25 million invested
	Transfer of knowledge	●	40 business incubator projects, which led to the creation of 400 university companies
<b>ENVIRONMENT</b>			
Community	Support for local communities	●	Social initiatives adapted to local circumstances.
	International development co-operation	●	Co-operation projects and channelling of international aid to developing countries.
	Microcredits	●	More than 200,000 entrepreneurs benefited.
	Financial education	●	Approval of the corporate plan of financial education
	Culture	●	Firm commitment to art and culture through the Group's foundations.
The environment	Social and environmental risk analysis in lending	●	Project finance, corporate banking and private banking in Brazil and retail banking in Spain
	Financial products committed to protect the environment	●	Leaders in financing and promoting renewable energy in project finance and seed capital.
	Energy efficiency plan	●	3% cut in CO <sub>2</sub> emissions 2011-2013 plan presented-
	Measurement of consumption inputs and own emissions	●	Second measurement of the Group's footprint
	Conservation and recovery of the environment	●	Many local programmes
	Training and awareness	●	Campaigns of awareness Banco Santander Foundation forums



- Sustainability committee approval of six corporate projects.



- Santander Pensions Spain adheres to the United Nations' Principles of Responsible Investment (PRI).



**JULY**

**OCTOBER**

**NOVEMBER**

**DECEMBER 2010**

- Approval and publication of the corporate policy on human rights.

- Santander Microcredit is formed. After the integration of Santander Brazil and Banco Real, microcredit lines were reinforced.

- Santander completes the transaction of the largest solar energy park in Europe.



	Aspects	Self-evaluation	Observations
<b>STAKEHOLDERS</b>			
Shareholders	Sustainable stock market indexes	●	Return on share above the sector's average  Presence in the DJSI in the top 3 and the FTSE4Good
	Investor relations	●	Transparency. Chosen as the "best bank in Europe" in investor relations by the magazine <i>Institutional Investor</i>
Customers	Customer satisfaction	●	Local incentives to increase satisfaction
	Quality of service	●	Meta 100 plan consolidated
	Training commercial teams	●	Launch of the retail banking corporate School
	Sustainable products and services for vulnerable groups	●	Local microcredit programmes and programmes for immigrants
	Socially responsible investment	●	Local SRI products (Brazil and Spain). Signing of the PRI in 2010
Employees	Job stability	●	99% of the Group's contracts are permanent
	Training	●	7.72 million hours in all the Group
	Supporting talent	●	Corporate policies for development, assessment and remuneration
	Diversity and work-life balance	●	Pioneering initiatives in various countries
	Corporate volunteers	●	Corporate plan approved. Co-operation agreement with Unicef
Suppliers	Equality of opportunity	●	Homologation criteria unified
	Transparent buying processes	●	E-platform for purchases/tenders via Internet and management
	Social and environmental requirements in products and services	●	Suppliers must comply with the UN Global Compact Implementation of external auditing scheduled for 2011

Level of achievement: ● High ● Medium ● Low



SANTANDER AND  
HIGHER EDUCATION

II Encuentro de Rectores  
**university**  
GUADALAJARA 2010

II Encuentro de  
**university**  
GUADAJARA



# SANTANDER UNIVERSITIES

## COMMITMENT

For Banco Santander, higher education is the main driver of society's social and economic progress. The Bank's commitment to universities is one of its hallmarks.

## MAIN ACTIVITIES IN 2010

- The **II Meeting of the Rectors of Universia** was held in Guadalajara, Mexico, with the participation of 1,057 universities from 33 countries.
- Announcement of the **commitment to invest EUR 600 million in 2011-2015** in cooperation projects with universities.
- Launch of 2 new scholarship programmes, enabling 2,000 new university students to benefit from them.
- 174,728 university students obtained their first job via Universia in 2010.
- Santander Universities assigned 14,293 scholarships and grants, 11,232 of which were for international travel and 3,061 for access, research and teaching specialisation.
- Cooperation extended to universities in the Argentina, Brazil, Mexico, UK, US and Singapore.
- Strong support for disseminating the Spanish language in cooperation with the Cervantes Institute, the Royal Academy of Language and the Campus Comillas Foundation.
- Publication of the book *Universities: an Illustrated History*, written by 45 people from 17 countries.
- Santander Universities was recognised as "agent of the Latin American Knowledge Space" by the Ibero-American Summit of the Heads of State in Mar de Plata.
- More than 4 million Latin American university students and graduates use the intelligent university card.
- Development of a project to tend to university students which will be consolidated during 2011.

## OBJECTIVES IN 2011

- Launch of the two Santander Latin America Scholarship Programmes, presented at the II Meeting of Rectors of Universia in Guadalajara: 15,000 scholarships for students studying for their first degree and 3,000 for young researchers. Investment over five years will amount to EUR 600 million.
- Launch of new scholarship programmes to prevent students from dropping out, encourage international travel by young post graduate students and researchers and strengthen student exchanges between Asia and Latin America.
- Development and launch of the financial education programme.

## A UNIQUE PROGRAMME IN THE WORLD

The Group has been cooperating with universities for the last 13 years in a programme that sets it apart from other banks and financial institutions in the world.

This cooperation rests on the conviction that the best way to contribute to the growth and to economic and social progress is to support higher education and research.

Banco Santander contributed EUR 100 million in 2010 to cooperation projects with universities. The Santander Universities Global Division, with 2,047 professionals in 14 countries, coordinates and manages Banco Santander's commitment to higher education, having achieved since its creation a long-term strategic alliance with universities that is unique in the world.

This alliance with universities enables us to cooperate with them in launching projects to improve education, as well as enhance their internationalisation, innovation and transfer of knowledge to society.

The Bank has cooperation agreements with 938 universities in Argentina, Brazil, Chile, China, Colombia, Mexico, Portugal, Puerto Rico, Russia, Spain, the UK, the US and Uruguay.



Emilio Botin visits Kings College, London, United Kingdom

Banco Santander invested EUR 100 million in 2010 in cooperation projects with 938 universities with whom it maintains strategic cooperation agreements

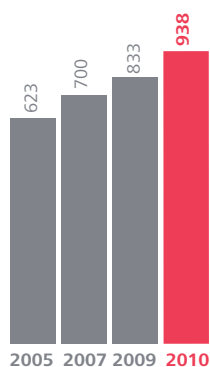
## LINES OF ACTION

Banco Santander's cooperation with universities is articulated around four elements:

- Integral cooperation agreements, which have enabled 4,149 academic, financial and technological projects to be launched in 2010.
- Support for international cooperation programmes between universities, such as national and international travel programmes for students and teachers, which promote the Latin American space of knowledge, strengthen the relation between students and teachers in Asia, Europe and the Americas and permit the exchange of experiences between university students and researchers throughout the world.
- Foster and cooperate with international academic networks, such as the Latin American University Network for the Incubation of Companies (*Emprendia* Network).
- Support global projects, such as Universia, the largest university cooperation network in the Spanish and Portuguese-speaking world, and the Miguel de Cervantes Virtual Library, the largest digital library of books on Spanish and Latin American culture.

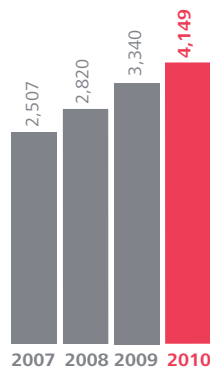
### GROWTH IN AGREEMENTS WITH UNIVERSITIES

Number



### GROWTH IN COOPERATION PROJECTS

Number





## SANTANDER UNIVERSITIES IN FIGURES IN 2010

**100,000,000**

invested in universities

**1,216**

universities form part of Universia

**938**

cooperation agreements with universities in 14 countries in four continents

**14,293**

scholarships and grants for study given in 2010

**4,149**

joint projects with universities in 2010

**25,000,000**

assigned in 2010 to innovation projects and to foster the entrepreneurial culture

**4,629,655**

intelligent university cards (IUC) in 201 universities

**174,728**

new jobs via Universia

## SANTANDER SCHOLARSHIP PROGRAMME

In 2010, Banco Santander's scholarship programme and grants for study benefited 14,293 university students from 395 universities.

Of the total 14,293 scholarships granted, 9,847 were for international travel and of them 5,657 were assigned to foster travel between Latin American countries. A total of 1,385 scholarships for travel in Colombia and Mexico were also awarded.

The second edition of the Top China programme was held in which 103 Brazilian university students, selected from 1,600 people, went to China to study. Given the success of this initiative, the Top Brazil scholarship programme was launched in 2010 under which students from China's nine most prestigious universities spent time in Brazilian universities.

These initiatives enabled Santander to become one of the pioneering institutions in fostering the creation of the Latin American space of knowledge through the travel of students, teachers and researchers.

In May 2010, under the framework of the II Meeting of Rectors of Universia in Guadalajara, Mexico, Banco Santander announced the launching of two new scholarship programmes for a period of five years:

- A programme of 15,000 exchange and international travel scholarships between Latin American countries. The scholarships are worth EUR 3,000 and for a term.
- A programme of 3,000 scholarships for researchers (EUR 5,000 each one).

### MAIN SCHOLARSHIP PROGRAMMES

- Santander Fórmula programme.
- US mobility programme.
- Santander UK scholarships.
- ECOES (Mexico) scholarships.
- Portugal-Brazil scholarship programmes.
- CRUE scholarships: Latin America.
- Grupo Montevideo scholarships.
- Top China/Top Brazil.
- Scholarship programme of the Macro Universities Network.



TOP CHINA programme, Shanghai JiaoTong University, Shanghai

**HACE 20 AÑOS NACIÓ LA PERSONA QUE AYUDARÁ A LOCALIZAR 30 NUEVOS PLANETAS.**

**En Santander Universidades apoyamos a los estudiantes de hoy. Porque ellos son nuestro mañana.**

- Más de 900 Convenios de colaboración en América, Asia y Europa.
  - Becas y ayudas a estudiantes y profesores.
  - Cátedras, investigación y relación Universidad-Empresa.
  - Tarjeta Universitaria Inteligente.
- **Universia.net:** la mayor red de universidades del mundo.
- **Cervantesvirtual.com:** la biblioteca en internet de las culturas hispánicas.

**Santander**  
UNIVERSIDADES

EL VALOR DE LAS IDEAS

www.santander.com

## INNOVATION AND TRANSFER OF KNOWLEDGE

In the last few years, universities have made a great effort to give a big push to research focused on transferring it to the real economy, the creation of companies originating in universities and development of an entrepreneurial culture.

In this same line, Banco Santander has been supporting for years initiatives related to innovation and the fostering of an entrepreneurial culture, with particular attention paid to those activities related to the training of teachers in entrepreneurship and recognising entrepreneurial activity in university students.

Santander cooperated in 2010 in 40 university company incubation projects, enabling 400 new university firms to be launched.

The Santander prizes for innovation and fostering entrepreneurial culture in Argentina, Brazil, Chile, Colombia, Mexico and Uruguay, were consolidated as an international reference. More than 6,000 university projects were presented in 2010.

Also noteworthy was the cooperation with the Ibero-American General Secretariat with whom, in 2010, the Bank presented the Ibero-American prizes for entrepreneurship.

Lastly, the development of the Emprendia Network is another good example of Banco Santander's boost to the entrepreneurial spirit.

## EMPRENDIA NETWORK

The Red Iberoamericana University Business Incubation (Red Emprendia) was created at the initiative of the Universities of Barcelona and Santiago de Compostela, with the support of Santander Universities, to promote and develop dynamic accelerator of a new culture and an institutional environment conducive to entrepreneurship and financial responsibility from the knowledge generated and shared by members of the university community and specifically to support the generation of new technology-based companies from research results.

Currently the network consists of 15 Latin American universities more dynamic and innovative in the field of business incubation: Mexico, Monterrey Institute of Technology, National Polytechnic Institute and the National Autonomous University of Mexico (UNAM), Portugal, Coimbra U. of Chile, the Pontificia Universidad Católica de Chile, Brazil: State University of Sao Paulo (USP) and the State University of Campinas (Unicamp), of Argentina, Buenos Aires U. (UBA) and Spain, the Polytechnic University of Catalonia, Cantabria U., U. Valencia, Complutense and Autónoma de Madrid, with Universia and promoting entities. These universities host their incubators, annually, more than 400 new business ventures.

It is the aim of this network reach 30 partner universities in five years as a requirement to make real the entrepreneurial dimension of Ibero knowledge in collaboration with institutions and existing networks in each country.

The Red Emprendia bet aims to share and exchange ([www.redemprendia.org](http://www.redemprendia.org)) best practices in the field of university entrepreneurship, establish programs for internationalization of university spin-offs by hosting schemes between different science parks and incubators, design training and updating for university innovation managers specializing in international centers and programs promoting sabbaticals for teachers and scholars grants for entrepreneurs or entrepreneurial practices in innovative and set new benchmarks for the employability of university students.

Red Emprendia works directly with American General Secretariat and Santander in the promotion of Latin American Awards venture aimed at the university.







Mario Vargas Llosa, the 2010 Nobel Prize laureate in literature and president of the Miguel de Cervantes Virtual Library Foundation, and Emilio Botín

## SANTANDER CHAIRS AT UNIVERSITIES

Banco Santander has been promoting for years the creation of Chairs at universities for research and teaching, formed, in many cases, by multidisciplinary teams from several universities.

In 2010, more than 130 Chairs were supported by Banco Santander for the development of their projects, which are mainly related to corporate social responsibility, family-owned companies, innovation and fostering the entrepreneurial culture. Among the Chairs sponsored by Banco Santander are nine UNESCO Chairs, seven joint Chairs of the National Autonomous University of Mexico (UNAM) with various Spanish universities, eight Chairs on family-owned companies, one dedicated to small and medium sized companies, whose headquarters is at the University of Cantabria, and nine Chairs on sustainability.

Particularly significant is the network of Corporate Social Responsibility Chairs, formed by the University of Alcalá, the University of Salamanca, the Antonio de Nebrija University, the University of Castilla La Mancha and the Francisco de Vitoria University. The network's objective is to promote a forum of meetings which stimulates interaction between different research teams in the sphere of corporate social responsibility.

## MIGUEL DE CERVANTES VIRTUAL LIBRARY

The Miguel de Cervantes Virtual Library was created by Banco Santander, the University of Alicante and the Botín Foundation in order to disseminate Hispanic culture throughout the world.

Since its creation 10 years ago, this digital library has incorporated more than 130,000 books and documents which are freely available on Internet.

In 2010, coinciding with the 200th anniversary of the independence of Latin American countries, the Miguel de Cervantes Virtual Library paid particular interest to the creators of the first literature in Latin America.

This special dedication to Latin America has guided the institution in the creation of one of its most important projects, the Virtual Library of Mexican Culture, inaugurated in June 2010 in Guadalajara at the II International Meeting of Universia Rectors.

More information: [www.cervantesvirtual.com](http://www.cervantesvirtual.com)



BIBLIOTECA VIRTUAL  
MIGUEL DE CERVANTES  
[www.cervantesvirtual.com](http://www.cervantesvirtual.com)

## SANTANDER UNIVERSITIES BRAZIL. CHALLENGE ON SUSTAINABILITY

What ideas on sustainability do you have for your university? This is the question that Santander put to university students in Brazil in the Santander Sustainability Challenge. This initiative gives interested university students the opportunity to propose, via the project's website, viable ideas that generate positive environmental, economic and social effects in their universities and in other educational institutions.

Banco Santander supports the participants and provides training in sustainability issues and the opportunity to exchange experiences with experts in different stages of

the selection process. At the end of it, the winner, together with the teacher that orientated the project, will have the opportunity to take a course for entrepreneurs at Babson College, Boston (US), one of the leading schools in this speciality.



# UNIVERSIA CELEBRATES 10 YEARS



Universia Foundation, as portal of Latin American universities.

First agreements with North American universities. Creation of the International Advisory Board.



I International Meeting of Rectors in Seville (Spain). Seville declaration and attendance of 400 universities from 22 countries.

2000	2001	2002	2003	2004	2005	2006
Agreement with Microsoft and the government of Spain to promote the development of the information society.		Universia launched in the first 10 countries.		Presentation of the first academic magazine. <i>Universia Knowledge@Wharton</i>		Centralisation of the IT platform. Evolution to Network of Universities.

## UNIVERSIA

Universia was 10 years old in 2010. During this time, it has consolidated itself as the world's largest university network. It embraces 1,216 universities from 23 countries and represents 14 million students and university professors.

One of the keys to the success of Universia is that it helps to put the university world in touch with the rest of society, tending not only to the needs of training, but also other important demands such as the first job, the university-company relation, social networks and responsible leisure.

In terms of employment, Universia maintains a strategic engagement with universities to encourage and facilitate the incorporation of the college labor market. At the same time, increase the mobility and allowing candidates access to job offers and national and international practices. In 2010, 174,728 college students with less than a year of work experience have clinched their first job through Universia, additionally, Universia has begun to manage other types of employment such as professional practices in enterprises, part-time, and professional more than one year of experience. Thus, the total number of professionals who have found employment through Universia in 2010 is 293,031.

### EMPLOYMENT THROUGH UNIVERSIA \*

University students who have clinched their first jobs	174,728
Internships in companies	17,335
Part-time	43,215
Most experienced professionals	57,753
Total jobs through Universia	293,031
Curriculum presented	4,585,226
Published job vacancies	916,460
Companies that have posted job openings	154,824

\* The job information obtained through Universia is an estimate based on 40% of the vacancies offered

### II MEETING OF RECTORS IN GUADALAJARA

The II Meeting of Rectors was held in May, 2010 in Guadalajara, Mexico, and brought together 1,057 universities from 33 countries and highlighted that Universia, the world's largest university network, is a key player in fostering the Latin American space of socially responsible knowledge.

Prior to the meeting, many meetings and preparatory work forums were held.

The meeting assessed the strategic role of universities in society, recognising that education and knowledge are the most powerful instruments of transformation and progress, development, equality of opportunity, cohesion and social mobility.

The report's main conclusions were:

1. Universities have to play a central role in constantly changing society.
2. The Latin American space of knowledge must be a strategic bid for the future.
3. Universities have to be committed to integration and social cohesion.
4. New technologies and investment in R+D+i are key instruments for facilitating access to knowledge and narrowing the gap between universities and companies.
5. Internationalisation is a challenge that Latin American universities must face. Banco Santander's two new international travel scholarship programmes will support this.

Figures of the meeting:

- **985** rectors.
- **1.057** universities represented.
- **33** countries involved. Wide media coverage by more than 100 journalists.



Strategic alliance with *trabajando.com* to manage the work experience of students and employment for university graduates.

II International Meeting of Rectors in Guadalajara (Mexico). Guadalajara agenda and presence of 1,057 universities from 33 countries.

2007

2008

2009

2010

Definition of the strategic lines for 2008-2010. More than 1,000 universities are now members of Universia.

Presence in 23 Spanish-and Portuguese-speaking countries. It reaches Google's page rank in 10th position.

**1,216**

partner universities from 23 Latin American countries

**14**

million students and university teachers

**1,412,007**

registered users

**174,728**

university students and graduates have obtained their first job via Universia

**17,335**

university students and graduates achieved work experience

**1,223**

courses and 110 universities in OpenCourseWare

**12,612**

calls for study grants in the scholarship portal

**4,241**

researchers registered in Innoversia

## UNIVERSIA FOUNDATION

This foundation promotes the inclusion of disabled university students and graduates in society and in jobs, fostering higher education and equality of opportunity.

Activity revolves around four large programmes:

- Information, orientation and dissemination. This programme promotes advanced university studies on labour market entry for the disabled.
- *Red* programme. This fosters cooperation and work in the web. The foundation has established contacts and acts as a bridge between different institutions (services and programmes of attention and support for disabled university students and graduates, associations and foundations, special job centres, companies) involved with the disabled, training and employment.
- Equality of opportunity and inclusion programme. Under this, the foundation carries out initiatives such as the *Capacitas* scholarships to promote access to higher training for the disabled; or the *Sin barreras para todos* pilot programme, an innovative and pioneering programme in Spain to help the disabled learn languages abroad.
- Employment programme. In order to facilitate jobs for the disabled, the foundation created an employment portal and launched various initiatives such as the *Incluye* programme, which promotes the development of professional practices for the disabled.

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

## BANK OF SUPPORT PRODUCTS

The Bank of Support Products is a Universia Foundation programme to facilitate the autonomy of the disabled in the sphere of training and employment.

It makes available to beneficiaries the technological solution that best meets the specific needs of each person via a temporary and free loan. The material provided include voice synthesisers, laptops of various sizes, digital pens, etc. In 2010, 202 requests were tended to.

This programme also includes teachers, researchers and the administrative and service staff of universities, as well as graduates who request the product in order to use it in their first job.





SANTANDER AND  
ITS ENVIRONMENT





# COMMUNITY

Santander fosters and supports programmes that help to develop local communities

## COMMITMENT

Contribute to the development and economic, social and sustainable growth of the communities where the Bank is present.

## MAIN ACTIONS IN 2010

- The sustainability committee approved corporate volunteering and financial education projects.
- New programmes were implemented for development cooperation.
- The London Benchmarking Group (LBG) international methodology was applied for measuring and evaluating programmes and impacts on the community.
- Greater transparency and communication of the various initiatives.

## OBJECTIVES IN 2011

- Fostering new ways to promote financial education among groups at risk of social exclusion.
- Promote microcredits and increase the number of those who receive them.
- Make further progress in positioning the Group's foundations as international references in art and culture.

## INVESTMENT IN THE COMMUNITY

Santander promotes initiatives and projects which cover the basic needs of the most disfavoured groups and with the least purchasing power, such as children, immigrants and the disabled. This activity is carried out in spheres such as education, health, economic development, social wellbeing, culture and humanitarian aid.

In order to carry out these initiatives, Banco Santander works closely with the third sector (NGOs and other non-profit making institutions) with whom, in 2010, the Bank maintained a fluid and constant dialogue via meetings, interviews, forums and awareness days. The purpose of all this is to identify possible ways of cooperation that enable Banco Santander to contribute to society's real needs.

The main lines of activity are:

- Foster local programmes that contribute to the development of communities where the Bank is present.
- Support international cooperation initiatives in developing countries.
- Encourage corporate volunteering.
- Financial inclusion: microcredits and financial education.

The Group, via its foundations, also carries out intense activity in various other spheres, particularly in art and culture.

These initiatives, some of them in close cooperation with employees and customers, enable Santander to contribute to two of the United Nations Millennium Development Goals: eradicate extreme poverty in the world and achieve universal primary education. Initiatives related to children's education were promoted during 2010.

# BANCO SANTANDER'S INVESTMENT IN THE COMMUNITY IN FIGURES

**EUR 47,000,000**

in social investment

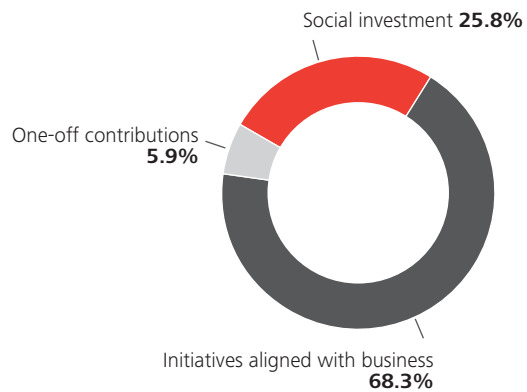
**38,844**

employees were volunteers in direct actions with the community

## KEY FIGURES

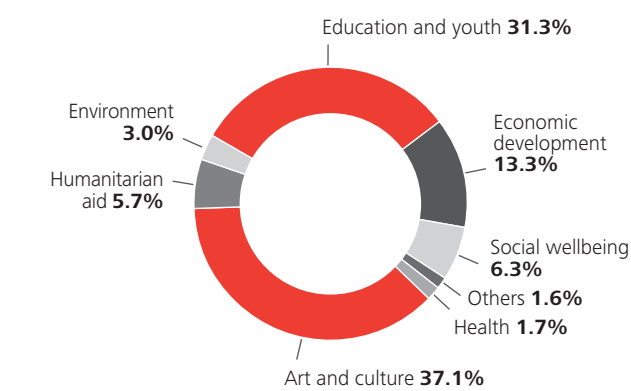
The Bank implemented in 2010 in its corporate reporting system the London Benchmarking Group (LBG) methodology, a system that measures impacts in order to classify and manage its investment in the community.

## DISTRIBUTION OF TOTAL INVESTMENT BY TYPE\*



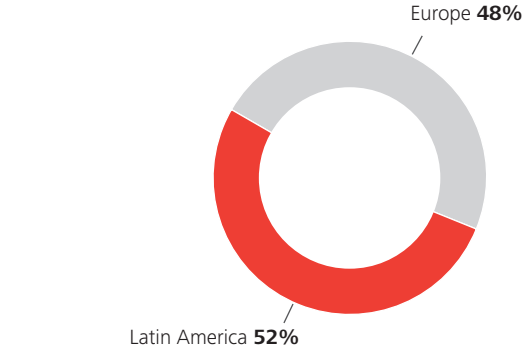
\* (EUR 148 million including the Santander Universities programme)

## DISTRIBUTION OF SOCIAL INVESTMENT BY SPHERE\*



\* (EUR 47 million excluding the Santander Universities programme)

## DISTRIBUTION OF SOCIAL INVESTMENT BY REGION (SOURCE OF FUNDS)\*



\* (EUR 47 million excluding the Santander Universities programme)



Conferences of the Teletón Foundation, Uruguay



Un techo para mi país programme, Argentina

## LOCAL PROGRAMMES

Santander carries out local programmes for the medium and long term which are articulated around direct contributions and cooperation agreements with non-profit making institutions.

In all cases, they are local development plans adapted to each community's social and economic circumstances.

Examples of this type of local initiative in the education sphere are:

- The *Amigo do Valor* programme in Brazil, which enables Banco Santander's customers, employees and suppliers to direct funds to municipalities to be used for the benefit of the rights of children and teenagers. The aim is to support initiatives that promote, defend and guarantee the rights of young people in cities where the life conditions are most critical.
- The main activity of the *CEBI foundation* in Portugal, of which Santander Totta is a founder member since 1995, is to promote education through subsidies that facilitate access to school. A total of 1,600 students benefit from this, 400 of whom have scholarships.
- The *Bécalos* programme in Mexico, which supports students and teachers at state schools through scholarships.
- The *Becas escolares* initiative in Argentina, which enables poor children to go to school.

In Spain, Banco Santander is part of the Madrid Vivo Foundation, which grew out of the holding in Madrid between August 16 and 21, 2011 of the World Youth Day to be attended by Pope Benedict XVI. This event will be of enormous importance from the religious, social and economic standpoint and will make Madrid the world youth capital.

## INTERNATIONAL DEVELOPMENT COOPERATION

Santander cooperates with public and private institutions in various countries in international development cooperation projects.

Of note, among others, was the cooperation of the Bank and employees in a project to combat child malnutrition in Colombia, and cooperation with a project to build an orphanage for children with HIV in India.

In humanitarian aid, noteworthy was the quick response of the Bank, employees and customers to the main tragedies in 2010. This was the case, for example, of the earthquakes in Haiti and Chile, where the Bank, at the corporate level as well as from various countries, helped in the reconstruction of affected communities by making donations (EUR 1 million and EUR 1.2 million, respectively) and organising collections among customers and employees.

### TRUST FOR CHILDREN IN MEXICO

For the last 16 years, current and retired employees of Santander Mexico, together with the Bank, have been cooperating with more than 30 institutions that support the most needy children, in spheres such as education, health and food. Most of these institutions are proposed by employees whose cooperation consists not only in giving money, but also direct involvement through volunteering activities.





## CORPORATE VOLUNTEERING

The Bank fosters, through various initiatives, the participation of its employees in projects that encourage corporate volunteering.

The programmes include:

- In the UK, Santander enables its employees, via the Community Days programme, to participate as a volunteer in local charity organisations. More than 600 employees took part in activities in 2010, ranging from teaching financial skills in schools to accompanying the elderly and supporting projects to preserve the environment.
- In Argentina and Chile, through the *Un techo para mi país* and *Un techo para Chile* programmes, employees helped to get rid of the precarious homes of the least fortunate groups and build new ones.
- The *convocatoria de proyectos sociales* initiative enables the Group's employees in Spain to present social projects that are voted on by all employees. The winning projects are financed by a fund made up of employees' contributions (through the *Euros de tu nómina* programme). The Bank also contributes to the fund by matching employees' contributions. Close to 1,000 employees in Spain participate in the *Euros de tu nómina* programme.

Santander also signed in February 2011 a cooperation agreement with Unicef, as the starting point for the Santander Committed Volunteers corporate programme, which will begin to be developed in Spain and then be extended to other countries. Over the next two years, professionals will support, through various initiatives a project that Unicef manages in the state of Oaxaca, Mexico, where more than 15,000 children and teenagers have been identified as having schooling problems.



Volunteers helping to build homes in Chile

### MAIN VOLUNTEERING PROGRAMMES

Country	Programme	Number of volunteer employees
Argentina	<i>Un techo para mi país</i>	150
Brazil	<i>Amigo do valor</i>	26,486
	<i>Projeto Escola</i>	1,797
Chile	<i>Un techo para Chile</i>	500
Spain	<i>Euros de tu nómina</i> project programme	611
	Portal Microvoluntarios	1,000
Mexico	Trust for children in Mexico	6,400
	San Jerónimo reforestation	450
Portugal	<i>Pão para todos</i>	350
UK	Community days	1,100
<b>Total</b>		<b>38,844</b>

### ESCOLA BRAZIL

The goal of the programme is to help improve state schools, bringing them closer to the communities where they are located.

Santander Brazil's programme of corporate volunteering involves more than 1,800 employees who participate in the activities that the schools carry out with students (sports, leisure, culture and the environment).

A total of 170 state schools and 703 teachers participate in the programme. The number of students that benefit from the programme has reached 142,000.



## FINANCIAL INCLUSION

Banco Santander promotes financial inclusion through initiatives that adapt to the needs and demands of the communities where it is present.

### MICRO CREDIT

Banco Santander has products such as micro credits that facilitate the access of the least favoured groups to the financial market and which improve their social inclusion, quality of life and also that of their local environment.

In Argentina, Brazil, Chile and El Salvador, the Bank finances the projects of more than 200,000 entrepreneurs in order to help low income families undertake sustainable business activities that, in turn, also contribute to job and income creation for the rest of the community.

It is worth pointing out that the micro entrepreneur programmes launched in Chile in 1992 by Santander Banefe was the leader in this activity in the Chilean market. As a result of this strategy, the Bank has sponsored since 2001 the national prize for the female micro entrepreneur.

### MAIN MICRO CREDIT PROGRAMMES<sup>(1)</sup>

Country	Programme	Customers	Credits*
Brazil	Santander Micro credits	93,637	53
Chile (Banefe)	Micro finances in Chile	100,000	147
El Salvador	Enlace	30,158	5,9

(1) Customer data and loans outstanding at 31.12.2010.

\* Million euros

## FINANCIAL EDUCATION

The Bank's financial education programmes promote financial knowledge, teach people how to use banking services effectively and generate greater confidence toward financial services and institutions.

In 2010, the sustainability committee, at its meeting in July, approved a corporate project of financial education, led by Santander Universities and which covers various initiatives and, in its first phase, is focused on the university world.

Of note among the programmes that the Bank has launched are:

- *Santander in schools, My Money, My Rights and the Student Money Manual in the UK*, through which young people and immigrants are instructed on basic concepts such as the importance of savings, investment and access to loans.
- *Contigo* programme in Puerto Rico, which provides talks and workshops to help people acquire financial knowledge.
- *Brincando na rede* (Online playing) in Brazil, which is aimed at children and offers interactive contents, tools and games to develop the entrepreneurial spirit and teach them to save.

### SANTANDER IN SCHOOLS (UK)

Programme created in 2010 with the participation of the business network employees. This enhances the Bank's relations with its community and aims to educate secondary school students in financial skills.

Students, via training modules with interactive games and activities, learn basic concepts such as saving, control of spending and investment.

### SANTANDER MICRO CREDITS BRAZIL

Santander Micro Credits encourages growth in small businesses, thereby enabling the least favoured sectors of society to merge from poverty. Loans are mainly made to informal micro companies that are unable to obtain loans. More than 80% of micro credits go to businesswomen who, in groups of five to six, receive loans of an average amount of between EUR 300 and EUR 500 without the need for additional guarantees.

In 2010, the volume of loans reached BRL 123 million. Since 2002, a total of BRL 780 million has been granted.





Exhibition entitled "Entretiempos. Instantes, intervalos, duraciones", Banco Santander Foundation, Teatro de Fernán Gómez-Centro de Arte, Madrid

## BANCO SANTANDER FOUNDATION



Banco Santander, through various foundations, works intensely in various spheres and particularly in disseminating art and culture.

The Foundation sponsors activities in art, music, the humanities, science and sustainability. Of note is its significant programme to recover natural spaces (see the section on the environment).

In art, as well as managing the Santander Collection, the Foundation organises every year a large exhibition in the Santander gallery, which makes known significant collections of contemporary art, and also promotes exhibitions in various

institutions and museums, courses for specialists and didactic programmes. Of note in the pedagogic field are the workshop visits for families that the Foundation organises at the Santander Gallery in order to acquaint children with art.

In music, the Foundation supports various pedagogic projects and cooperate with institutions such as the Fundación Albéniz, the Gran Teatre del Liceu and the Teatro Real in Madrid.

It also organises cycles of conferences and debates on history, patrimony and science and has interesting publishing activities, such as the *Colección Obra Fundamental* and the magazine *Moneda y Crédito*. The Foundation supports, moreover, two scientific research projects on cancer carried out by the CNIO and the Hospital Universitario Puerta de Hierro.

More information: [www.fundacionbancosantander.com](http://www.fundacionbancosantander.com)

### FOTOTALENTOS '10

As in previous years, the Banco Santander Foundation exhibited in various Spanish universities the finalist photos of Fototalentos. This online photography competition promoted by the Foundation in cooperation with Universia aims to link the Latin American university community with the world of art. More than 2.3 million online votes were recorded in this year's competition.

Twenty four of the photos most voted by the public were exhibited in the universities and a specialised jury selected the winners from the 125 photo finalists. The prizes were presented in San Fernando, Cadiz, coinciding with the meeting of Universia shareholders.







Santander Cultural building, Porto Alegre, Brazil

## BANESTO FOUNDATION



The main aim of the Banesto Foundation is to promote job creation by fostering the entrepreneurial spirit, innovation and adopting new technologies in SMEs. Its main projects include:

- **Turismo Solidario y Sostenible.** This initiative promotes a network of solidarity and sustainable tourism in Africa. The project provides training and technical assistance to female entrepreneurs, gradually introduces technologies and finances viable projects that can generate sustainable employment. In 2010, Banesto employees participated as volunteers.
- **Yuzz.** This aims to foster young talent with innovative ideas based on technology. The young people selected receive the necessary support to develop their ideas as a business project. There are Yuzz centres in 18 Spanish cities.
- **EmprendedoresTV.com** This channel covers more than 600 experiences of Spanish business people and has become an important audiovisual reference for entrepreneurs and SMEs.
- **Global Business trip.** This project promotes business meetings in the US, particularly in Silicon Valley. The objective is to support Spanish companies, from start-ups to mature companies, by introducing them to the US market with success. Trips are organised to the US in order to get to know the market and establish contacts.

More information: [www.fundacionbanesto.com](http://www.fundacionbanesto.com)

## SANTANDER FOUNDATION UK



The Santander Foundation in the UK helps most needy through social welfare programmes. It has contributed more than £28 million since its creation in 1990 to charity organisations in the UK. The Foundation also carries out various training and professional skill development activities for groups at risk of exclusion, as well as measures to enhance the financial education of society in general.

More information: [www.santanderfoundation.org.uk](http://www.santanderfoundation.org.uk)

## SANTANDER CULTURAL BRAZIL



Its activity focuses on integration and dissemination of the diversity of languages and the artistic and cultural content. It is committed to contemporary culture and socio-economic development and mainly operates in visual arts, music, films and reflection.

Since its creation in 2001, Santander Cultural has put on 20 large exhibitions of visual arts, thousands of films, festivals, seminars, courses and hundreds of concerts, work shops and master classes. It has also carried out education activities for more than 412,000 students and teachers.

In 2010, initiatives such as Santander Cultural Instrumental, sponsoring the III Brazilian Biennial of Design, *Vestigios de Brasilidade*, and the *Mostra de Artes Visuais do Mercosul* were developed.

Más información: [www.santander-cultural.com.br](http://www.santander-cultural.com.br)

# THE ENVIRONMENT

Banco Santander supports conserving the environment and combating climate change by controlling social and environmental risks and supporting renewable energy in its financial activity; and is implementing an energy efficiency plan in its buildings

## COMMITMENT

Help to preserve and protect the environment through initiatives such as reducing consumption and emissions in an eco-efficiency plan, analysis of social and environmental risks in different spheres of banking business and financing renewable energy.

## MAIN ACTIVITIES IN 2010

- Consolidation of the Group's social and general environmental policy and of sectoral policies for lending in sensitive sectors (water, energy, defence and forestry).
- Integration and internal auditing of social and environmental risk analysis in project finance operations, in accordance with the Equator Principles.
- Increase the geographical sphere of financing renewable energy activity.
- Develop an energy efficiency plan to reduce consumption and emissions in all the Group's buildings.

## OBJECTIVES IN 2011

- Attain the goals set for the first year of the energy efficiency plan.
- Quarterly monitoring of the efficiency plan.
- Systemise the social and environmental risk analysis process in project finance operations, which is incorporated in the IT tools (NILO/AQUA platforms).

## SANTANDER AND ITS ENVIRONMENTAL COMMITMENT

Banco Santander fosters protection, preservation and recovery of the environment and the fight against climate change. It draws up specific actions for sustainability, which are integrated, into its business model.

Banco Santander has also assumed the various international commitments in the sphere of the environment such as the Equator Principles, the UNEP FI and the Carbon Disclosure Project among others.

The Bank's social and environmental policy, available at [www.santander.com](http://www.santander.com), sets out a series of criteria around which measures are established to protect the environment. Specific policies have also been developed that set the criteria for project finance activity in the defence, energy, water and forestry sectors, which identify the social and environmental impact of these activities.

The Bank's initiatives in the environmental sphere follow three main lines of action:

- Measuring the Group's environmental footprint and drawing up an energy efficiency plan to reduce the impact of consumption and emissions.
- Social and environmental risk analysis in loans, taking into account the social and environmental features in risk analysis and decision-taking processes in financing operations.
- Develop and promote financial solutions that are committed to protecting the environment, such as renewable energy, where Santander has a leadership position at the international level.



Volunteers cooperating in reforestation in Mexico

## ENERGY EFFICIENCY PLAN AND MEASURING THE ENVIRONMENTAL FOOTPRINT

### Reducing the impact of consumption and emissions

Calculating the consumption and emissions from the Bank's installations enabled the Group to know its environmental footprint in 2010. This, in turn, enabled common objectives to be set for medium and long-term improvement and reduction over the next three years and exchange best practices among the Group's countries and units.

The plan also includes the need for suppliers whose activities have a significant environmental impact to meet certain requirements and be specially trained in this sphere. Training measures for the Group's employees are also set out.

Also noteworthy is that in 2010 Santander Brazil again achieved the ISO 14001 certification, which recognises the good practices of companies in environmental management, for the Group's eight main buildings in the country.

### Grupo Santander's environmental indicators

CONSUMPTION	2010	2009	09/10 var. (%)
Water (cubic metres)	3,887,834	3,699,876	5.1%
Water (cubic metres)/employee	21.7	21,8	-0.4%
Electricity (million kWh)	1,257.3	1,208,6	4.0%
Electricity (thousand kWh)/employee	7.03	7.13	-1.4%
Direct consumption of energy (GJ) <sup>(3)</sup>	533,773	513,407	4.0%
Paper (tonnes)	29,838	35,313	-15.5%
Paper (tonnes)/employee	0.17	0.21	-20.6%

WASTE	2010	2009	09/10 var. (%)
Paper and cardboard (Kg)	14,139,643	15,030,191	-5.9%
Paper and cardboard (Kg)/employee	79.05	88.69	-10.9%
Containers, plastic and cans (Kg)	5,280,167	6,136,714	-14.0%
Containers, plastic and cans (Kg)/employee	29,52	36.21	-18.5%
Toners (units)	172,228	193,468	-11.0%
Toners (units)/employee	0.96	1.14	-15.8%
Glass (Kg)	105,936	121,701	-13.0%
Glass (Kg)/employee	0.59	0.72	-17.7%
Electrical and electronic waste (unit)	67,850	213,480	-68.2%

### EMISSIONS OF GREENHOUSE GASES

	2010	2009	09/10 var. (%)
Direct emissions of CO <sub>2</sub> (tonnes) <sup>(1)</sup>	515,056	497,570	3.5%
Other indirect emissions of CO <sub>2</sub> (tonnes) <sup>(2)</sup>	67,052	49,350	35.9%
Total emissions of CO <sub>2</sub> (tonnes) <sup>(3)</sup>	582,108	546,920	6.4%

### ENERGY EFFICIENCY PLAN GOALS 2011-2013

**Reduce emissions of CO<sub>2</sub> : 3.5% in the first year and 9% until 2013.**

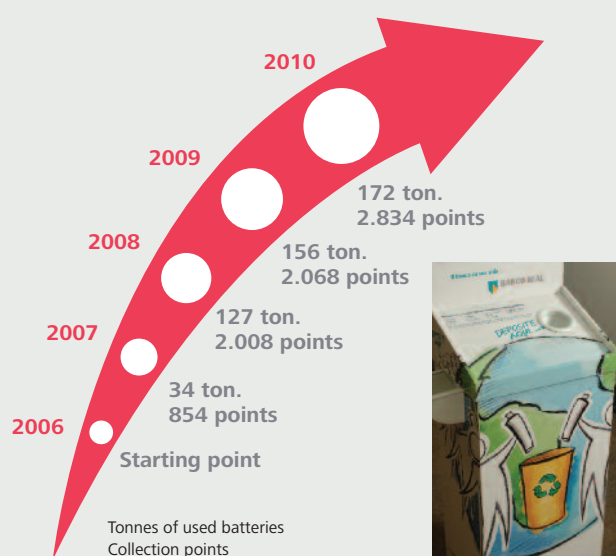
Focus on countries with the largest impact: Brazil, Chile, Spain, Mexico and the UK (76% of total emissions).

**Cut consumption of electricity: 3% in the first year for 19 countries overall.**

Electricity consumption represents 86% of the Group's total.

### PAPA-PILHAS PROGRAMME

This programme, developed by Santander Brazil since 2006, selectively collects and manages used batteries via the Bank's branch network. Employees and customers cooperate in the programme, the most important one for recycling this type of waste in Brazil and showing that it is possible to incorporate this type of initiative into daily banking activity.



(1) These emissions include those arising from the direct consumption of energy (natural gas, diesel oil and other fuels), the consumption of electricity and the business trips of employees by aircraft and car. The figures for 2009 have been adjusted in order to consider the same concepts in both years.

(2) The emissions in 2010 include those arising from employee trips to the workplace in individual cars, collective transport and by train. The trips in individual cars are calculated on the basis of the number of parking spaces in the corporate buildings in each country and so only include those countries with parking lots. These are: Germany, Austria, the Bahamas, Belgium, Chile, Colombia, Italy, Mexico, Miami, Netherlands, Poland, Portugal, Puerto Rico, Spain, Switzerland, Uruguay and the US. The trips of employees in collective transport are calculated on the basis of the average distance covered by the vehicles hired by Grupo Santander to take employees to their workplace and in the interior of the corporate building of Spain (CGS). The collective transport service exists in the following countries: Germany, Belgium, Brazil, Italy, Mexico and Spain. The increase in 2010 was mainly due to including Germany and the US, for whom these figures were not available in 2009.

(3) The emission factors applied were obtained from the latest figures of the International Energy Agency and correspond to 2008. The emission factors for 2009 were adapted in order to also apply the same criteria. Direct consumption of energy in 2009 was updated with the best information available for that year.



## ANALYSIS OF SOCIAL AND ENVIRONMENTAL RISK IN LOANS

Banco Santander realises that one way to preserve the environment is to analyse and correctly assess financing operations that are presented to the risk committee and/or local risk committees for approval. This decision-making process also takes into account social and environmental features.

Santander Brazil has procedures to assess with socio-environmental criteria corporate and private banking clients.

The Bank also provides training courses on social and environmental matters to risk teams and business executives.

No specific training activity was carried out in 2010 as there were not sufficient incorporations to generate actions. For this reason, training was postponed until March 2011.

A constant dialogue is also maintained with stakeholders, mainly NGOs and analysts and investors, which enables us to adjust and update the analysis processes and tools used in socio-environmental risks and adapt them so that they take into account the most relevant technical features.

### EQUATOR PRINCIPLES

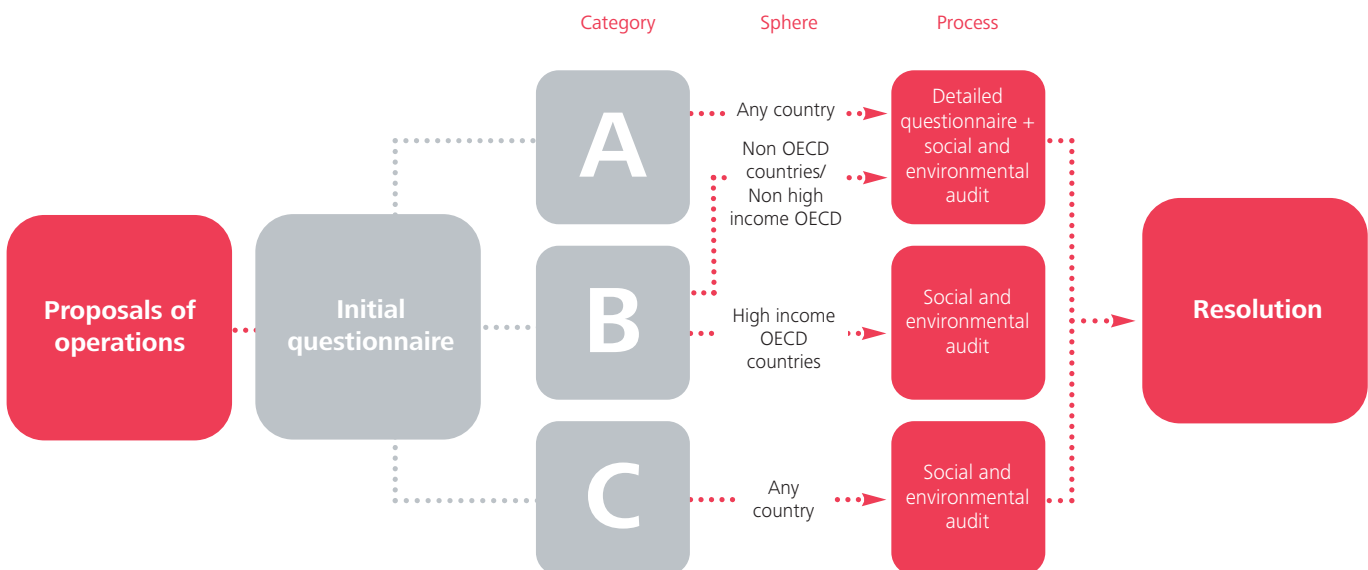
Santander has incorporated social and environmental features to its risk analysis and decision-taking processes used for project finance operations.

The corporate risk units are responsible for assessing the environmental and social risks of the projects presented by the business areas for approval, in accordance with the Group's policies.

The Equator Principles have been adopted for project finance loans in order to identify and prevent the negative social and environmental effects of projects susceptible to financing and, in the event of being inevitable, reduce and mitigate them or offset them adequately.

Particularly noteworthy is the effort made by the Bank over the last few years to implement a systematic global analysis process for social and environmental risks. This process has the following phases (see below).

### PROCEDURE FOR ANALYSING SOCIAL AND ENVIRONMENTAL RISK, ACCORDING TO THE EQUATOR PRINCIPLES IN PROJECT FINANCE (More than \$10 million)



A: Project finance with a significant negative impact and of greater risk

B: Project finance with a medium negative impact and of lower risk

C: Project finance with a very small or no impact on the environment.

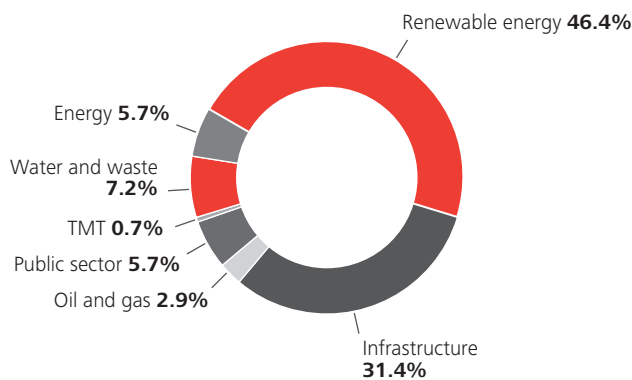


Solar energy park in Campania, Italy

Grupo Santander rigorously applies the Equator Principles to all project finance loans of more than \$10 million

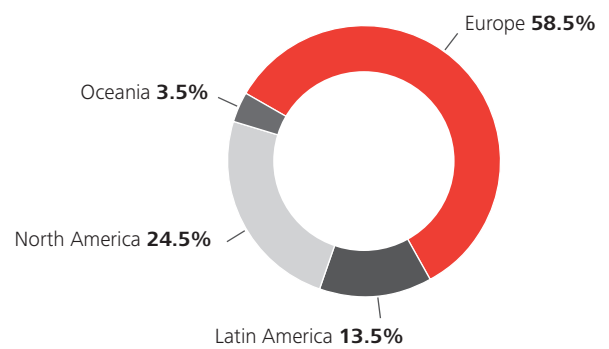
**STRUCTURE OF PROJECTS ANALYSED BY SECTOR**

More than \$10 million



**STRUCTURE OF PROJECTS ANALYSED BY GEOGRAPHICAL AREA**

More than \$10 million



**STRUCTURE OF OPERATIONS FINANCED (PROJECT FINANCE) IN 2010 BY GEOGRAPHIC AREA AND CATEGORISATION OF THE EQUADOR PRINCIPLES**

(More than \$10 million)

Area	Number of operations and category Equator Principles			Total
	A	B	C	
Europe	0	12	12	24
North America	0	4	7	11
Latin America	1	8	4	13
Oceania	0	1	0	1
<b>Total number of projects</b>	<b>1</b>	<b>25</b>	<b>23</b>	<b>49</b>
<b>Total value of projects (Million euros)</b>	<b>176</b>	<b>7,542</b>	<b>3,959</b>	<b>11,677</b>



The Bank is one of the international leaders in financing renewable energy

## FINANCIAL SOLUTIONS FOR THE DEVELOPMENT OF RENEWABLE ENERGY

Banco Santander contributes to the global objective of fighting climate change by providing financial solutions and via its leadership position in renewable energy at the international level. Furthermore, Santander has known how to adapt to market changes, taking advantage of new business opportunities that have arisen. This was recognised by Bloomberg Markets when it named Banco Santander the “greenest bank in the world” in 2010.

This commitment is materialised through various financial products:

### PROJECT FINANCE

Financing the building and operating of wind-power parks, solar photovoltaic plants, solar thermal power stations and mini-hydraulic plants for a total installed power of 3,500 MW. In 2010, the project finance energy team was recognised by *Euromoney* as the 2010 Global Lender of the Year and the financing the building of two solar thermal power plants in Spain was named Clean Energy Deal of the Year by the same magazine.

### SEED CAPITAL INVESTMENT AND VENTURE CAPITAL

Projects where the Bank acts as the promoter. In 2010, Santander invested in projects which, when completed, will have a total installed capacity of more than 1,000 MW, mainly in Brazil, the US, Spain and Italy.

### SOLAR PHOTOVOLTAIC LEASING

The financing is carried out via leasing and the Bank also cooperates in drawing up and executing the project, resolving the administrative procedures and maintaining the installation during the life of the operation.

### CARBON FUND

Santander participates in the Carbon Fund for Spanish Companies (FC2E), along with other public and private companies. This fund buys carbon credits generated by renewable energy projects and energy efficiency in developing countries, putting them at the disposal of Spanish industry in order to facilitate compliance with their obligations to cut emissions, in accordance with the National Plan of Assignment.

Santander, through its activities in the Carbon Fund, contributes to the transfer of technology from developed to emerging countries, financing renewable energy and compliance with reducing the emissions of European industries, in accordance with the National Plan of Assignment of each country,

At the end of 2010, the Bank continued to have a portfolio of around 2 million equivalent tonnes of CO<sub>2</sub>, through Emission Reduction Certificates (ERC) and Units of Emission Reduction (UER). In 2010, the Fund included in its portfolio two new biomass projects in China.

### MONETISATION OF CARBON CREDITS (ERC)

The Bank buys in advance the rights that renewable energy projects will generate, so that the project’s promoter receives in advance funds that help to finance the investment. In 2010, Santander monetised with the funds of Banco Nacional de Comercio Exterior de México (Bancomext) 4.56 million ERCs of two wind-power parks (324 MW of installed capacity) in Mexico.





Cuadernos de sostenibilidad of the Banco Santander Foundation, Madrid, Spain

## BANCO SANTANDER FOUNDATION AND THE ENVIRONMENT

The foundation pays particular attention to sustaining and conserving Spain's natural spaces through two specific ways: disseminating ideas on sustainable development and measures to recover degraded natural spaces.

In the first sphere, the foundation organised a forum in 2010 on economy and sustainability, which looked at sustainability as a generator of jobs and its capacity to favour change in the crisis, and published two new issues of *Cuadernos de Sostenibilidad y Patrimonio Natural* and a Manual of Sustainable Development.

Under the programme to recover natural spaces in Spain, the projects undertaken in Turbera de Roñanzas (Asturias), the ornithological reserve of El Planerón (Zaragoza), the Tejada del Barranco del Hocino (Guadalajara), the wetlands of Almeria, the Salobre (Albacete) river basin, the biological reserve of La Trapa (Mallorca) and the environment of the Talaván (Cáceres) lake were continued. A new project was environment restoration project was begun in the Canary Islands to reforestate more than 10 hectares of laurisilva forests in the natural spaces of Tenerife included in the *Red Natura 2000*.

## SANTANDER UNIVERSITIES AND THE ENVIRONMENT

### AMAZONIA 2020

In November, 2010 Santander Universities signed a cooperation agreements with nine universities in the Amazon region to launch measures to protect the environment and support local communities:

- Creation of an entrepreneurship prize to recognise entrepreneurial projects, with an emphasis on preserving the environment.
- Scholarships to promote education in indigenous communities, with a special focus on the environment and sustainability.

The aim is for the Amazonia programme to benefit around 100,000 students over the next 10 years.

### ENVIRONMENTAL AWARENESS DAY

In December 2010, an environmental awareness day was held at Grupo Santander City and attended by the 7,000 professionals who work there. This initiative aimed to make the Bank's employees more aware of those good environmental practices that everyone can implement from their work station.

Under the slogan, "The environment is everyone's responsibility", the initiative involved the Bank's professionals in improving the eco-efficiency of processes and activities.

The posters for this awareness day remain on display in order to prolong the impact of this initiative.





SANTANDER AND  
ITS STAKEHOLDERS







One of the key elements of Banco Santander's sustainability policy is stable and lasting relations with all its stakeholders.

Banco Santander has maintained for many years a fluid and constant dialogue with its stakeholders, enabling it to respond at any moment to those issues identified as relevant, in accordance with the Bank's strategy and the demands and expectations of each stakeholder.

## **SHAREHOLDERS**

Generate value for 3.2 million shareholders and provide the maximum transparency in information.

## **CUSTOMERS**

Attain the highest level of satisfaction and reduce the number of complaints by offering to our 97 million customers products tailored to their needs and the best quality of service.

## **EMPLOYEES**

Provide development opportunities for the almost 180,000 professionals, fostering talent via reference training programmes, promoting diversity and facilitating work-life balance measures.

## **SUPPLIERS**

Guarantee equality of opportunity with the maximum transparency in the awarding of contracts.



# SHAREHOLDERS

Banco Santander regards profitability, solvency, transparency and equality of rights as basic elements in its relations with shareholders

## OUR COMMITMENT

To create long-term value, guaranteeing equality of rights, with maximum transparency and fostering continuous dialogue through the existing channels.

## MAIN ACTIONS IN 2010

- Maintain the dividend pay-out policy at around 50% of the Group's attributable profit.
- Opening of shareholders offices in those countries where the Bank operates: Chile and Portugal.
- Second and third *Santander Dividendo Elección* (scrip dividend) programmes : 84% and 87% of the capital stock, respectively, opted to receive the amount equivalent to the second and third interim dividend charged to 2010's earnings in shares.
- Involve shareholders in solidarity projects, such as solidarity golf.

## OBJECTIVES IN 2011

- Install the electronic forum before the Bank's shareholders' meeting is held, as a way to foster the informed participation of shareholders in meetings.
- Launch the commercial website [www.yosoyaccionistas.santander.com](http://www.yosoyaccionistas.santander.com) at the global level.
- Extend corporate solidarity initiatives such as solidarity golf to all countries with a shareholder office.

## PROFILE OF BANCO SANTANDER'S SHAREHOLDERS

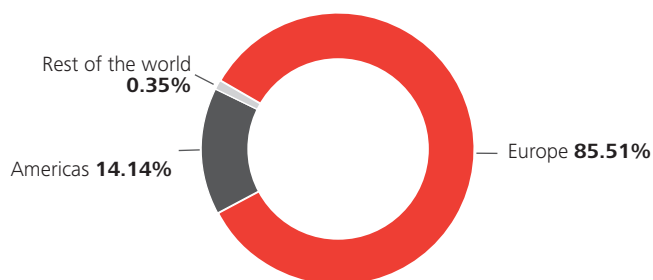
The Bank had 3.2 million shareholders at the end of 2010, who directly or indirectly held Santander shares. The board held 253,156,054 shares, a high level compared to other banks which contributes to aligning the board's interests with those of shareholders. Individual shareholders held 37.81% and institutional investors 59.15%.

### STRUCTURE OF THE CAPITAL STOCK

	SHARES	%
Board	253,156,054	3.04
Individuals	3,149,068,382	37.81
Institutional investors	4,926,897,662	59.15
Total	8,329,122,098	100.00

### CAPITAL STOCK

By region



## KEY FIGURES 2010

**4,999**

million euros in dividends

**0.60**

euros in nominal dividend per share

**12<sup>th</sup>**

largest bank in the world by market capitalisation

**1<sup>st</sup>**

in the euro zone by market capitalization

**66,033**

million euros in market value at the end of 2010

**3.2**

million shareholders, an all-time high

## CHANNELS FOR SHAREHOLDERS AND INVESTORS

The Bank communicates with its more than 3.2 million individual shareholders via the shareholders' area whose functions are to provide the maximum transparency in information and stimulate the interest and participation of shareholders in the Bank's issues.

The investor relations area, meanwhile, facilitates information to Spanish and foreign institutional investors and analysts.

The communication channels are:

- Attention lines in Spain, Portugal, the UK, Chile, Brazil, Mexico and the US, which tended to 253,969 consultations.
- The shareholder mail box, increasingly used and through which 173,260 subscribed shareholders are punctually informed of Group news. In 2010, 23,991 e-mails were tended to.

- The shareholder forum. Meetings are held regularly in order to make available to shareholders information on the Group and its outlook, and tend to all types of consultations and suggestions. In 2010, 214 forums were held and attended by 18,190 shareholders. In order to offer greater value added, well known specialists participated in some of these forums and contributes their analysis and experience.
- Furthermore, 692,095 letters from shareholders were tended to. The replies from the shareholder relations area are individualised and the board is informed of them for some of the issues and suggestions raised.
- A total of 172,656 SMS alerts were sent.
- The unit of large shareholders provide a more personalised attention to a small number of shareholders, but very important in terms of owning the Bank's capital stock. The unit fosters the participation of these shareholders in decision-taking.
- Dedicated website for shareholders  
[www.yosoyaccionista.santander.com](http://www.yosoyaccionista.santander.com)



AGM of shareholders on June 11, 2010, Santander, Spain

## THE SANTANDER SHARE AND SHAREHOLDER REMUNERATION

The Santander share ended 2010 at EUR 7.928, 31.4% lower than in 2009 because of doubts over the consolidation of the economic recovery and market pressure on the banks of peripheral euro zone countries after the bail-outs of Greece and Ireland.

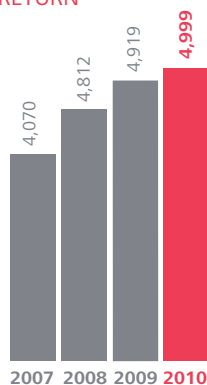
Since the end of 2008, shortly after the collapse of Lehman Brothers, the Santander share has increased 17.5%, outperforming the Ibex-35 (+7.2%) and Eurostoxx Banks (+8.9%) and below the rise in the DJ Stoxx Banks (+29.9%).

Santander maintained during 2010 the shareholder remuneration thanks to the good performance of its results. The Bank assigned EUR 4,999 million to dividends, 2% more than in 2009 and in line with its policy of a pay-out of around 50% of attributable profit.

The total nominal dividend in 2010 was EUR 0.60, the same as in 2009. The dividend yield was 6.4%, charged to 2010's earnings. Santander, through its Dividendo Elección (scrip dividend) programme, again offered shareholders the possibility of opting to receive an amount equivalent to the second interim dividend charged to 2010's earnings in cash or shares and extended it to the third interim dividend (January/February 2011). The Bank thus increased its flexibility in remuneration, enabling shareholders to benefit from tax advantages. The result of the programme was a success, as 84% and 87% of shareholders opted to receive shares in the second and third interim payments, respectively.

### TOTAL SHAREHOLDER RETURN

Million euros



### ENCOURAGING PARTICIPATION IN SHAREHOLDERS' MEETINGS

Among the measures adopted by the Bank to foster the informed participation of shareholders in meetings are the following

- Possibility of attendance at meetings owning just one share.
- No system to block shares in order to identify those who can attend the meeting. The requirement is to register in the name of the shareholder any number of shares five days before the meeting is held.
- Attendance at a distance by telematic means and exercise of the right to vote by post, physical means or electronically.
- Possibility for shareholders to exercise their right of information via an e-mail sent to [junta.accionsitas@santander.com](mailto:junta.accionsitas@santander.com) as of the date of the convening of the meeting.
- Separate voting on issues such as the appointment of directors and on articles or groups of articles that are substantially independent in the event of changes to the corporate By-laws or the regulations of the meeting, except voting on full texts of the By-laws or the board's regulations. It is also envisaged that at the 2011 shareholders' meeting the annual financial statements and the social management of the Bank and its consolidated group can be voted on under different items of the agenda, all regarding 2010.
- Delegation of the vote in anyone, whether they are a shareholder or not.

The Bank regularly calls meetings with an advance that exceeds the required 30 days and makes available to shareholders via the Group's website, and as of the date of publication of the convening, all the relevant information including the proposed agreements to be submitted to the meeting.





AGM: June 11, Santander, Spain

## PRESENCE IN SUSTAINABILITY STOCK MARKET INDICES

DJSI World is a selective index that incorporates 10% of the 2,500 companies in the Dow Jones World Index – those with the best performance in the economic, environmental and social dimensions. The DJSI Stoxx consists of 20% of the leading sustainability companies of the European index (Dow Jones Stoxx Index). The performance is assessed on the basis of an annual questionnaire which includes all the aspects of sustainability classified in three dimensions: economic, environmental and social. The rating agency Sustainability Asset Management (SAM) then makes an analysis for a rating.

Santander is part of the DJSI World and, after the results of the annual review of the index in 2010, Santander maintained its presence in it. As shown in the charts below, the Bank's scores are well above the average of the financial sector in all the assessed dimensions.

Banco Santander has also formed part of the prestigious FTSE4Good index for a number of years.

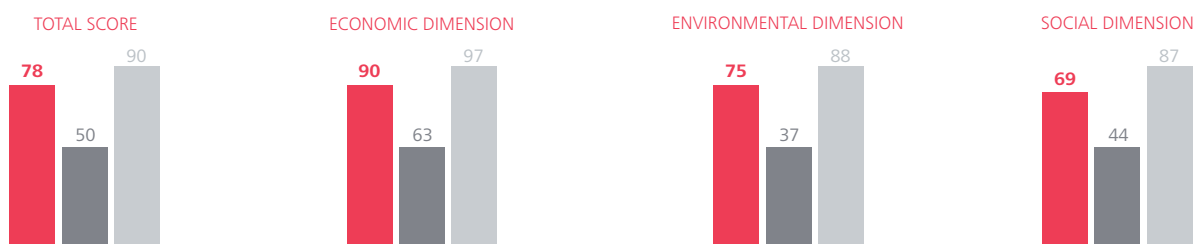
The Bank is included in other responsible investment indices such as the ASPI Eurozone, Ethibel Excellence Europe and Ethibel Excellence Global Index.



### THE SANTANDER SHARE IN THE DJSI

%

- Santander
- Financial sector average
- Best company in the financial sector



# CUSTOMERS

The customer is the main focus of Banco Santander's strategy

## COMMITMENT

The quality of customer service is a priority for the Group. We aim to continuously improve customer satisfaction and linkage via a wide range of products and services and the best quality service.

## MAIN ACTIVITIES IN 2010

- Expansion of the global model of improvements in quality (META 100):
  - In Spain, throughout the commercial network, including the network of agents, in Internet and in cards.
  - In Mexico, in the contact centres and in insurance.
  - In the UK, in Internet and in cards.
- Consolidation of the corporate model for complaints (MIRO) in Santander Spain and its launch in Openbank and in the UK.
- The Retail Banking School shared all the Group's best practices in the sphere of quality of service.
- Improvement in the quality ratios of global insurance and payment means business.

## OBJECTIVES IN 2011

- Install a governance model for the whole Group, which monitors quality with the involvement of senior management.
- Incorporate additional indicators of quality to the objectives and incentives in the business and support areas.
- Continuous development of the Group's best practices in the sphere of service quality.
- Creation of the post of brand customer experience manager to vouch for the coherence between the customer's experience and the brand promise.
- Commitment of the Santander brand to achieve in the medium term the average of its peer group in quality of service in the markets where it operates.

## CUSTOMERS' PROFILE

Customers are the focal point of the Bank's activity. The focus on the customer and on service and striving for maximum satisfaction are the Group's priorities.

The number of Banco Santander customers has grown considerably in the last few years (doubling between 2004 and 2010). At the end of 2010, Santander had 97.2 million customers, distributed as follows: 41% in Latin America, 27% in the UK, 28% in the rest of Europe and 4% in the US.

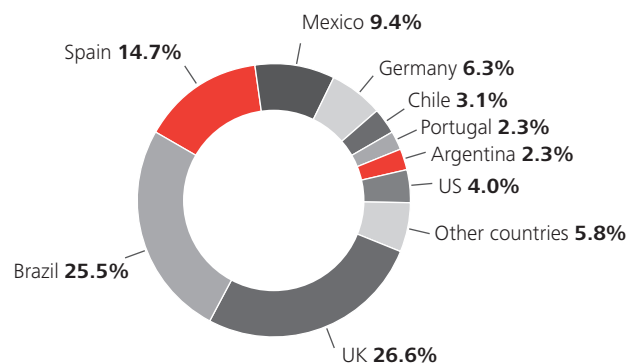
The business focus is the retail segment, as 99.7% of customers are involved in retail banking and consumer credit,

Banco Santander has a wide range of financial products and services to satisfy customers' needs. The Bank's hallmark, in all its markets, is anticipation and dynamism when launching new value offers. For example, in 2010, the *Depósito Ganador* in Spain, the Santander Zero Account in the UK and the *Conta Integrada* for shops and companies in Brazil.

The Bank also creates products and services linked specifically to its commitment to the most vulnerable groups and to sustainable development.

## CUSTOMERS BY COUNTRIES

%





## FIFTH ANNIVERSARY OF "WE WANT TO BE YOUR BANK"

The fifth anniversary of the launch of "We want to be your Bank" in Spain was celebrated in 2010. This plan eliminates commissions for customers. During this period, Santander took a big step forward in capturing and linking customers and multiplied by two the number of beneficiaries (almost 4.3 million in 2010).

This initiative was extended to other countries (e.g. the zero current account in the UK).

## CLOSER TO CUSTOMERS

Lasting relations and of greater value added are generated and maintained in the branches. Santander has 14,082 branches, mainly distributed in its 10 core markets and which constitute the largest network of an international bank. The Bank also provides services via other channels that operate around-the-clock, such as online banking and telephone banking.

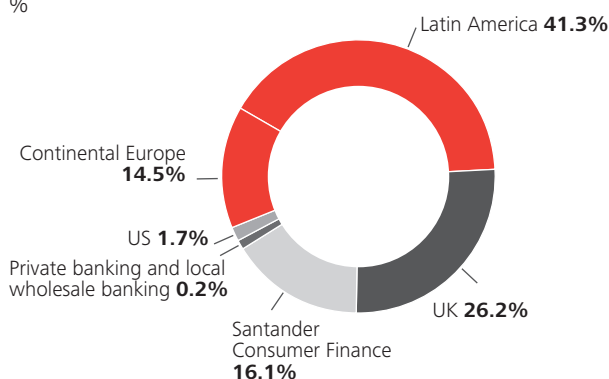
In 2010, Banco Santander stepped up its distribution capacity by 422 branches after opening new ones in high growth countries such as Brazil and Mexico.

It also has a network of managers who receive continuous training so that they can inform customers transparently and rigorously and give them the best service. All of this helps to foster security and responsibility in the development of customer relations.

For Santander, it is vital to have full knowledge of its customers. To achieve this, it has the most advanced and innovative IT platform of any international retail bank, which enables it to offers customers the products and services that best meet their needs and tailored to the risk profile of each one, with innovation and technical rigour.

Banco Santander's commitment to innovation and new technologies is also underscored by its use of social networks as a new vehicle of communication and dialogue with its customers. The Bank has an official presence, for example, in Twitter, Facebook and Youtube.

### DISTRIBUTION OF CUSTOMERS BY GEOGRAPHICAL AND BUSINESS AREAS %



### TOTAL GROUP CUSTOMERS

Thousands

Santander Branch Network	9,258
Banesto*	2,503
Openbank	418
Santander Totta	1,932
<b>Total Continental Europe</b>	<b>14,111</b>
<b>Total US</b>	<b>1,654</b>
<b>Total United Kingdom</b>	<b>25,467</b>
Brazil	24,757
Mexico	9,095
Chile	3,063
Argentina	2,277
Columbia	297
Puerto Rico	397
Uruguay	258
<b>Total Latin America</b>	<b>40,144</b>
<b>Total private banking</b>	<b>177</b>
<b>Total global wholesale banking</b>	<b>33</b>
<b>Total Consumer Banking</b>	<b>15,643</b>
<b>Total Group customers</b>	<b>97,229</b>

\* This figure is not the same as the one published in Banesto's annual report as it is based on active customers and includes i-Banesto.

## QUALITY OF SERVICE AND CUSTOMER SATISFACTION

Quality of service is a fundamental part of Banco Santander's strategy.

In order to ensure and promote continuously quality of service and customer satisfaction, the Bank has a corporate model of customers and quality (META 100), created in 2005.

The objectives of META 100 are:

- To reflect and contribute the customer's voice to businesses and other forums of the Bank. For this, operational metrics of quality and customer perception have been defined, all of them with methodological rigour.
- To establish a culture of quality, whose main principles are service, confidence and proximity to the customer.
- Generate dynamics of continuous approval. Quality units have been created in various of the countries where the Group



operates. They are interdisciplinary working groups, which analyse the metrics and identify the main drivers in order to foster possible improvement plans.

The corporate unit of customers and quality is responsible for monitoring the implementation and results of the model throughout the Bank, as well as adapting it to different market conditions, in order to maximize customer satisfaction.

Santander has corporate strategies to boost customer satisfaction in all the countries and channels where it does business. Some 85.7% of customers said they were satisfied, generating greater linkage and loyalty.

During 2010, and due to the process of integrating banks in Brazil, a specific project was carried out in the sphere of the quality of service in this country. The aims were:

- To ensure that during the integration process the levels of service of the internal operating quality indicators were maintained, comparing them regularly with their references before the integration.
- To ensure that the levels of perception of quality of service provided to customers from both banks (Real and Santander) were maintained.

The methodology used was based mainly on an organizational chart of indicators of operating quality and internal surveys of customers, which reflect the situation of the various spheres of service: availability of channels, levels of service in the call centre, transaction relations with customers, incidents and complaints, as well as conducting a benchmark survey in the market to identify the position regarding the Bank's quality of service in its market, and the distance from its competitors. All of this under the permanent drive of senior management.

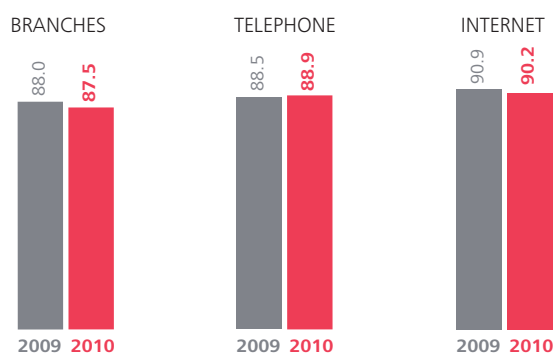
### CUSTOMER SATISFACTION

% of active individual customers

Bank	2010	2009	2008
Spain, Santander	89.1	85.8	88.7
Spain, Banesto	91.8	89.9	89.1
Portugal	91.7	91.4	90.9
United Kingdom	80.7	84.8	84.0
Argentina	94.5	94.4	95.1
Brazil	86.0	85.7	81.9
Chile	89.2	86.4	88.1
Mexico	89.2	94.0	92.5
<b>Total</b>	<b>86.0</b>	<b>87.0</b>	<b>86.2</b>

### CUSTOMER SATISFACTION

% of satisfied active individual customers



## INCIDENTS AND COMPLAINTS

Banco Santander has an innovative and advanced corporate model to manage incidents and complaints (MIRÓ). This enabled significant progress to be made during 2010 in managing customers' incidents and complaints, improving the speed of response as well as the clarity and transparency of the information provided to customers and the control and monitoring of them.

The main objectives of MIRÓ are:

- To gather and resolve quickly all complaints and incidents.
- Manage them in specialized units, maintaining fluid communication with customers.
- Identify and eliminate the main causes of dissatisfaction.

Santander Brazil stood out for its leadership position in service quality. It successfully completed in 2010 unification of the Santander brand and continued to advance in installing a single IT platform, which affected, as tends to be the case in this type of transition, the number of complaints.

As regards the UK, in January 2010 the commercial networks of Abbey, Alliance & Leicester and Bradford & Bingley were unified under the Santander brand and technological integration was achieved in record time. The change of perimeter and the full implementation of the corporate method for calculating complaints was reflected in an increase in the number of complaints. Under its commitment to enhance the quality of service, Santander UK launched a significant plan which is already bearing fruit: in the second half of 2010, the ratio of complaints for every 1,000 current accounts dropped to 5.0 from 7.6 in the first half.

### COMPLAINTS

% of active individual customers

	2010	2009	2008
Continental Europe	0.1	0.2	0.2
United Kingdom	0.5	0.3	0.2
Latin America	0.3	0.3	0.5
<b>Total</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>

### COMPLAINTS BY COUNTRIES

Bank	2010	2009	2008
Spain, Santander	4,511	5,541	6,743
Spain, Banesto	3,828	4,452	2,808
Portugal	5,375	6,123	5,227
United Kingdom	70,320	53,002	21,407
Colombia	2,498	2,443	2,212
Chile	6,507	5,787	4,481
Mexico	5,953	6,157	6,960
Brazil	71,303	64,962	64,807
Argentina	1,154	1,448	1,262
Puerto Rico	185	116	322
<b>Total</b>	<b>171,634</b>	<b>150,031</b>	<b>116,229</b>

Source: META 100 corporate model.



Retail banking branch, São Paulo, Brazil

## CORPORATE COMMITTEE OF MARKETING

Banco Santander attaches great importance to ensuring that its products are adapted to the risk profile of its customers and it monitors rigorously the various phases of their marketing.

To do this, it has corporate committee which ensures the product or service is adjusted to the framework where it will be sold. The corporate committee of marketing (CCM), chaired by the Group's secretary general, pays particular attention to:

- *Each product or service is sold by those who know how to sell it.*
- *The customer knows what he is investing it and the risk involved in each product or service and that this can be accredited in documentary form.*
- *Each product or service is adjusted to the customer's risk profile.*
- *Each product or service is sold where it can be sold, not only because they fit into each country's legal and tax regime, but also they are in line with the financial culture of the local population.*
- *When a product or service is sold, maximum distribution volumes are established.*

At the local level, there are marketing committees that present to the corporate committee the new products and their corresponding campaigns.

In 2010, 21 meetings of the corporate committee of marketing were held at which a total of 237 products and services were analysed (197 were new products/services submitted to the CCM and 40 to the local committee as they were not new products/services that fitted into that previously authorized by the CCM).

## RETAIL BANKING SCHOOL

The Retail Banking School was launched in 2010. Its objective is to gather and structure the Group's profound knowledge of retail banking, identifying the best practices.

It has three very clear purposes which are of great strategic importance:

- Extend the best practices to all countries where the Group operates.
- Facilitate and speed up the process of adapting to and integrating the new acquisitions, as the team will have right from the start access to the Group's knowledge and best practices.
- Learn more about customers and tailoring products and services to their needs.

The school, which has the support and involvement of the Bank's senior executives, has great strategic importance.

During 2010, the models and practices of the countries which in a first phase are participating in the school (Argentina, Spain, with Santander and Banesto, Brazil, Chile, Mexico, Portugal and the UK) were codified. This information is already being used in order to find areas of opportunity for improving the Group's commercial banks.

Furthermore, in order to learn, know and share team experiences, Santander Learning, Banco Santander's corporate platform of training, created for the Retail Banking School 32 virtual communities. These new spaces strengthen communication and exchange of knowledge between professionals throughout the world.



## SUSTAINABILITY IN PRODUCTS AND SERVICES

Banco Santander has been creating for years products and services linked specifically to its commitment to the most vulnerable groups and to sustainable development.

Of note, among others, are:

### MICRO CREDITS

Financial product that allows products and services to be made available to the least favoured and vulnerable groups in order to improve not only their quality of life but also that of their local environment.

In Argentina, Brazil, Chile and El Salvador, the Group finances the projects of more than 200,000 entrepreneurs. More information can be consulted on page 29 of this report.

### PRODUCTS DESIGNED FOR STUDENTS

The Bank develops financial products and services for students with preferential conditions so that they can carry out their university studies. Of note are financing of training programmes and international travel, as well as university costs for books, transport and accommodation.

Santander is also increasingly implementing in university campuses the Intelligent University Card (IUC), which accredits and enables students to access installations and conduct online procedures and borrow books. The card also acts as a public transport ticket and can be optionally linked to banking services, including ATM operations or with a debit card.



### COOPERATION WITH NGOs

Santander provides products and services in cooperation with NGOs such as, among others, management of donations by Internet which allows customers to contribute to non-profit making organisations quickly, comfortably and safely, while the institution has all the information on line of the operations conducted in this way.

The NGOs that participate in this initiative include the Red Cross, Unicef and Caritas.

### PRODUCTS FOR IMMIGRANTS

The Group, via its branch network, offers in all its branches special products and services for immigrants.

Some examples are:

- *Santander envíos* (remittances to more than 25 countries in the Americas, Africa and Europe).
- Banesto's *Welcome programme* which helps to integrate immigrants into the Spanish banking system.





## SOCIALLY RESPONSIBLE INVESTMENT

Banco Santander is committed to developing socially responsible investment (SRI) products. It has various products with different profiles adjusted to customers' investment demands. These products not only meet financial return criteria but also social and environmental ones and recommended practices of corporate governance and transparency.

Banco Santander also has a portfolio management service which provides a personalised service for clients to administer their portfolios with SRI criteria. This service groups 13 portfolios, and the total volume managed in 2010 was EUR 38 million.

Santander is one of the founding partners of SPAINSIF, a multi sector association which aims to be the main reference in SRI in the Spanish market and in which are represented all the players in this sphere in Spain.

In 2010, Santander Pensions Spain adhered to the United Nations' Principles for Responsible Investment (PRI). The pension plan for Santander's employees also signed the principles.

The PRI were created in order to help in long-term investment decisions, through better analysis of environmental, social and corporate governance criteria.

Banco Santander's experience in Spain in SRI began in 1995 with the creation of the first fund of this type and, in 2006, it pioneered the creation of a global SRI service for institutional mandates. Today, Santander manages in Spain three SRI funds aimed at all types of investors and more than 10 mandates for institutional clients, which involves more than EUR 125 million of assets administered with socially responsible criteria.

Santander Pensions took another step with the signing of the PRI and is creating an investment process that includes

environmental, social and corporate governance analysis (ESG) as an assessment tool for any company in which pension funds could be invested.

Banco Santander's socially responsible investment funds include:

- *Interactivo confianza FC* (launched in 1995) and *Santander responsabilidad conservador FI* (launched in 2003): Ethical funds which invest on the basis of the values of the Catholic Church.
- *Santander Solidario Dividendo Europa* (launched in 1999): A fund which focuses on investments in companies committed to human, labour and social rights and respect for the environment. It assigns 21% of its management fee to the NGO chosen by the investor from among the 19 NGOs that make up the fund.
- *Fundo de Investimento em Participações FIP Caixa Ambiental*: Santander took over in 2010 management of the FIP Caixa Ambiental. This fund with an investment capacity of EUR 172 million cooperates in developing infrastructure in Brazil. Its portfolio includes stakes in companies in the renewable energy, clean-up and environmental services sectors.
- *Gestão de renda fixa*: Santander Asset Management innovated in 2010 by adopting socio-environmental criteria in its fixed-income and multi market portfolios in Brazil. This meant that the same criteria previously used to buy shares are now used when placing the debt securities of companies, such as bonds and other private credit instruments.
- *Fundo Ethical Brasil*: The first socially responsible investment fund in Latin America to invest in companies committed to applying environmental, social responsibility and corporate governance policies (managed volume of EUR 170 million). This fund will be 10 years old in 2011.

## UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT

1. Incorporate ESG (\*) issues into investment analysis and decision-making processes.
2. Systematically incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on our activities and progress towards implementing the Principles.

(\*) ESG: environmental, social and corporate governance.



# EMPLOYEES

Santander fosters leadership with talent, knowledge and corporate culture, the three main elements of its management model for professionals

## COMMITMENT

To ensure the Bank's corporate policies attract, develop and commit the best talent at the international level.

## MAIN ACTIVITIES IN 2010

- The new general code of conduct was put into effect.
- The corporate policy for gender equality was carried out.
- Leadership developed with programmes such as *Liderando el crecimiento*.
- Launch of the Retail Banking Corporate School which guarantees transfer of the Group's strategic knowledge.
- "*Santander is You*" consolidated as the channel to transmit corporate culture.
- EUR 103.4 million invested in training programmes, with 7 million hours and 179,372 participants.

## OBJECTIVES IN 2011

- Launch the corporate volunteering programme.
- Extend the Great Place to Work study to Spain.
- Integrate Germany and Poland into the "*Santander is You*" programme.
- Improve the tool for collecting suggestions in Spain.
- Greater presence in social networks.

## MANAGEMENT MODEL FOR PROFESSIONALS

Banco Santander has almost 180,000 professionals throughout the world. Its staff is multicultural and represents more than 95 nationalities.

Santander supports professional development, regardless of the gender of the person, their age, nationality, religion or beliefs.

In 2010, Santander progressed in applying its management model, focused on attracting, developing and committing itself to the best talent at the international level, in order to support the Group's leadership and sustainable growth in business.

This model is based on three main pillars: leadership with talent, knowledge and corporate culture.

## EMPLOYEES BY INSTITUTION

Institution	N° of employees	% Males	% Females	% Graduates
Spain, Santander	19,787	61	39	70
Spain, Banesto	8,696	62	38	56
Santander Totta, Portugal	5,770	54	46	43
Santander UK	19,681	38	62	8
Sovereign Bank Corp USA	8,307	30	70	21
SCF Germany	2,090	48	52	25
SCF Italy	745	58	42	40
SCF US	3,340	37	63	20
Brazil, Santander	50,578	42	58	59
Grupo Santander, Mexico	11,875	49	51	57
Grupo Santander, Chile	9,795	46	54	37
Santander Argentina	6,281	54	46	18
Santander Puerto Rico	1,807	34	66	34
Santander Colombia	1,304	47	53	N/D
Others	28,813	49	51	55
<b>Total</b>	<b>178,869</b>	<b>47</b>	<b>53</b>	<b>47</b>

## LEADERSHIP WITH TALENT

Talent, for Banco Santander, is the combination of the capacity of its professionals, their aspiration to go far and their commitment to the Bank. Santander strives to identify internal talent, attract external talent, ensure its development, commitment and assess and remunerate it.

Internal talent is identified by various ways such as the development and mobility committee, the process of evaluating performance and by the executives of countries and the members of their management committees.

The main objective of the development and mobility committee is to know in great detail the potential and talent of the Group's executives. The committee studies, rigorously and objectively, the profile of executives and proposes specific and personalised plans to foster each one's trajectory. The committee meets regularly and includes the participation of the CEO as well as division heads and senior executives.

Santander has various programmes to develop the talent of those with the greatest potential, promoting mobility and development of international careers.

- *Santander Training Executive Programme (STEP)*. This is a corporate programme for the Group's future executives, in which 82 professionals participated in 2010. The programme lasts three years and enables participants to rotate different functions and work in various countries while receiving training.
- *Mundo Santander programme*. This initiative offers professionals the possibility of working in a Group country different to their own for four months. In 2010, 156 employees benefited from this (347 in the last three editions).
- *Atenea*. First convening of the programme for technology and operation professionals.
- 20<sup>th</sup> edition of *Futuros Directivos* programme (FUDIS) of the Americas division.
- *Apolo*, programme of the retail banking division in Spain, which held its sixth edition in 2010.

### DISTRIBUTION OF EMPLOYEES

By sex and geographical area

<b>Top and Dir Red</b>	Male	Female	Total
Continental Europe	1,239	248	<b>1,487</b>
United Kingdom	109	21	<b>130</b>
Latin America and the rest	707	108	<b>815</b>
Group total	2,055	377	<b>2,432</b>
<b>Rest of executives</b>			
Continental Europe	6,342	2,844	<b>9,186</b>
United Kingdom	414	197	<b>611</b>
Latin America and the rest	3,681	2,750	<b>6,431</b>
Group total	10,437	5,791	<b>16,228</b>
<b>Collaborators</b>			
Continental Europe	21,855	19,815	<b>41,670</b>
United Kingdom	9,235	15,244	<b>24,479</b>
Latin America and the rest	39,905	54,155	<b>94,060</b>
Group total	70,995	89,214	<b>160,209</b>

### MOBILITY

Employees with a different nationality to that of the country (%)\*

<b>Top and Dir Red</b>	Male	Female	Total
Europe	6.6	4.5	<b>6.3</b>
Latin America and the rest	16.6	1.2	<b>14.7</b>
Group total	10.1	3.6	<b>9.1</b>
<b>Rest of executives</b>			
Europe	3.4	3.3	<b>3.4</b>
Latin America and the rest	4.3	2.3	<b>3.5</b>
Group total	3.7	2.8	<b>3.4</b>
<b>Collaborators</b>			
Europe	2.7	3.0	<b>3.0</b>
Latin America and the rest	0.6	0.5	<b>0.5</b>
Group total	1.3	1.1	<b>1.1</b>
<b>Total</b>			
Europe	3.1	3.1	<b>3.1</b>
Latin America and the rest	1.2	0.6	<b>0.8</b>
Group total	1.9	1.2	<b>1.6</b>

\* Excluding the UK and Sovereign



## GENDER EQUALITY

Banco Santander's policy is to develop talent within the organisation, regardless of the person's gender.

In Spain, this policy is carried out by the *Avanzamos Juntos* programme, which covers various initiatives:

- A corporate organisational chart of gender equality that includes indicators that measure compliance with the equality policy.
- An online training course on gender equality for 16,000 employees.
- Training sessions on gender equality as part of the corporate programmes for the Group's executives.

In Spain, the *Alcanza plan* strengthens women with talent through various initiatives:

- *Engánchate programme*, aimed at the new generations and which in 2010 had 86 participants.
- *Impulsa programme* to support the development of women with aspirations and skills and who today are in intermediate posts, In 2010, 30 women participated in this programme.
- *Supera programme* to give visibility to women with executive posts and facilitate their access to posts of maximum responsibility. Eighteen women were selected.

Among other actions, Santander Totta launched *Red en Femenino*, a communication platform for the Bank's female executives.

In the UK, the Bank created the Santander Prize under the framework of the prestigious Opportunity Now prizes to foster equality of opportunity.

Also noteworthy were specific plans for women developed by the Bank in Brazil and in the US.

## PROMOTIONS

	Male	Female	Total
Continental Europe	2,198	1,894	<b>4,092</b>
United Kingdom	824	1,181	<b>2,005</b>
Latin America and the rest	7,014	8,629	<b>15,643</b>
<b>Group total</b>	<b>10,036</b>	<b>11,704</b>	<b>21,740</b>

## EXECUTIVES' TRAINING PROGRAMMES

	Collective	Participants
Centre of executive development	Top Red	173
Leading the Group's growth	Top Red	31
High return leadership	Top Red	6
Strategic communication programme	Dir Red	419
Corporate programme of strategic support	Dir Red	54
Role of leader	Dir Red	25
Corporate leadership programme	Dir Red	54
Leadership in management and development of talent	Dir Red	47
Communication	Dir Red	25
Strategic finance in banking	Dir Red	92
Strategic risk management	Senior executives	28
Corporate development programme (CDP)	Young high potential	82
Santander executive training programme (STEP)	Senior executives	27
Social responsibility programme for a global Group	Executives and future executives	1,392
Corporate managerial curriculum (CMC)	Female executives	213
Female executive challenge	Female executives and future executives	137
Alcanza plan	Notables in future executive programmes	17
Workshop for graduates	Executives and future executives	2,626
Cycle of conferences "Ideas for Leading"	Young high potential	90
Programme for future executives in the Americas	Retail banking (Spain, Banco Santander)	30
Apolo programme	Retail banking (Spain, Banco Santander)	29
Programme of development for executives of zona a+	Senior executives, Spain	40
Higher programme of executive development		

## BETTING ON KNOWLEDGE

Santander has its own training and knowledge model and aims to consolidate it as the international reference in this sphere. It is one of the drivers of its growth and leadership. In 2010, Banco Santander invested in a total of 40 hours of training per employee.

The Retail Banking Corporate School was launched in 2010 (see page 47). The governing body of this school is chaired by Banco Santander's CEO, and comprises members of the Bank's senior management. This school joins the already existing corporate school of risks, which in 2010 was five years old.

Other notable developments were:

- *Executive Private Banking Programme*, for the Group's private banking professionals.
- *GB&M Leadership Programme* for executive teams of the Global Banking & Markets division.
- First training programme in university policy.

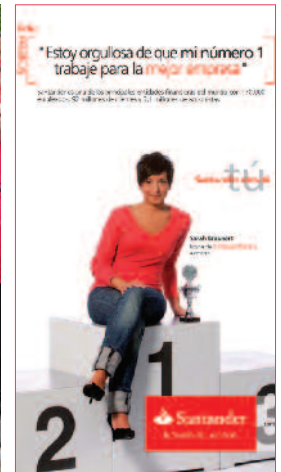
Santander Learning, the corporate platform, has 47,000 users and more than 40 online communities. This innovative practice enables knowledge to be exchanged and shared among the Group's various training programmes, corporate schools and projects.

In 2010, the Bank launched the programme, "Leading the Group's Growth" for senior management. Three new editions were also held during the year of the cycle of conferences, "Ideas for Leading", which aims to share reflections on capacities and strategic issues beyond business.





The second "Santander is You" race, Santiago, Chile



## CORPORATE CULTURE

Banco Santander attaches great importance to having a corporate culture based on the Group's values.

The regular information that employees receive on the strategy and performance of businesses via Intranet, in-house magazines and web casts also contributes to the dissemination of messages and corporate culture.

Santander, moreover, has two specific programmes for transmitting and strengthening the corporate culture for its current and potential employees. They are "Santander is You" and "Santander can be You".

### "SANTANDER IS YOU"

The objective of this programme is to foster the corporate culture and transmit the Group's values. It is a key initiative in a large international group such as Banco Santander, which incorporates to its teams people from different countries and cultures. In 2010, the Third "Santander is You" week was held, with the participation of the majority of employees in more than 300 activities related to solidarity, the environment, sports, health and welfare. They were held in the same week of the year in all countries where the Bank operates. The Second "Santander is You Race" was held in Chile with the participation of 60 Group professionals.

### "SANTANDER CAN BE YOU"

In competition for the best talent, Santander also transmits its corporate culture to potential employees via its "Santander can be You" programme. For the second year running, and in order to identify the best international talent, the Group visited the main business schools in the US, Europe and Asia, such as Harvard, MIT, Colombia, INSEAD, CEIBS and London Business School. Another way to identify and attract the best talent is through Santander *talent scholarships*. This initiative, in its third edition, selected 33 university graduates throughout the world and offered them full training adjusted to the needs of a retail bank.

### TRAINING

	2010	2009
Total training hours	7,080,733	7,717,000
Employees trained (participants)	179,372	167,849
Training hours per employee	39.85	46
Total investment in training (euros)	103,400,000	93,500,000
Investment per employee (euros)	578.97	593.4
Cost per hour (euros)	14.60	12.1
% of female participants	53	59
% of e-learning training	30.5	35
Satisfaction evaluation	8.5	8.4
% of hours with internal trainers	40.4	22

### AVERAGE AGE OF EMPLOYEES

Years	Male	Female	Total
Continental Europe	42.5	37.5	40.4
United Kingdom	33.5	36.1	35.1
Latin America and the rest	36.3	34.5	35.3
<b>Group total</b>	<b>38.1</b>	<b>35.4</b>	<b>36.6</b>

### AVERAGE LENGTH OF TIME WITH SANTANDER

Years	Male	Female	Total
Continental Europe	16.9	11.4	14.6
United Kingdom	5.9	8.5	7.5
Latin America and the rest	8.7	7.2	7.9
<b>Group total</b>	<b>11.2</b>	<b>8.3</b>	<b>9.7</b>

### TYPES OF CONTRACT

	Fixed	Temporary	Total
Continental Europe	50,808	1,535	52,343
United Kingdom	24,700	520	25,220
Latin America and the rest	101,145	161	101,306
<b>Group total</b>	<b>176,653</b>	<b>2,216</b>	<b>178,869</b>

### TYPES OF EMPLOYMENT

	Full time	Part time	Total
Continental Europe	51,743	600	52,343
United Kingdom	20,376	4,844	25,220
Latin America and the rest	99,734	1,572	101,306
<b>Group total</b>	<b>171,853</b>	<b>7,016</b>	<b>178,869</b>



Volunteer activity during the second "Santander is You" race, Chile



Supera programme, El Solaruco corporate centre, Grupo Santander City, Boadilla del Monte, Spain

### CORPORATE VOLUNTEERING

Solidarity is increasingly forming part of the Bank's corporate culture.

In 2010, Banco Santander's sustainability committee, approved a corporate volunteering plan to be launched in 2011. Its objective is to promote, together with Unicef, children's education in the countries where Santander operates, particularly in Latin America.

The programme will begin in Spain and be gradually extended to the rest of the countries where Santander operates. Over the next two years, professionals will support Unicef, through various volunteering initiatives in order to foster access to schools for children and teenagers with schooling problems.

### GENERAL CODE OF CONDUCT

Santander incorporates ethics as part of its corporate culture and values.

This code has been communicated to all professionals and is available on the Group's intranet.

There is also a confidential communication channel, through which employees can bring to the Bank's attention possible questionable practices in matters of accounting and auditing. Any employee can also denounce non-compliance with the general code of conduct.

### SANTANDER AND HUMAN RIGHTS

Within the usual communication channels which the Bank maintains, no relevant incident regarding failure to comply with human rights was reported in 2010, nor were any activities detected which implied that the right of freedom of association and to adhere to collective agreements were at risk. Also, no incidents involving child exploitation or episodes of forced labour or without consent were identified.

The Bank, moreover, provides employees with courses in corporate social responsibility including, among other things, specific training in human rights.

## FLEXIBLE REMUNERATION PLAN

Santander has a total remuneration system which, as well as fixed remuneration, covers other concepts such as variable remuneration, and various benefits for professionals and their families, which vary depending on the country or society to which they belong.

In Spain, Santander's professionals saw their possibilities of optimising their fixed remuneration increased as a result of the new flexible plan, launched in 2010, which makes available to them products and services in advantageous conditions (computers, cheques for nurseries, medical insurance, etc). There are another initiatives within the framework of flexible remuneration, such as the *Santander Passport*, a benefits plan for employees and their families developed by Santander Colombia.

### HUMAN CAPITAL INDICATORS

New incorporations to the Group	26,239
Total employees joining	32,587
Total employees leaving	26,268
Employees promoted/total staff (%)	12.1
Number of employees with part time contracts	7,016
% of employees with a collective bargaining agreement	85.6
% of executives who work in their country of origin (*)	90.9
% employees who work in their country of origin (*)	98.9

(\*) Excluding the UK and Sovereign



## OCCUPATIONAL HEALTH AND SAFETY

Banco Santander has a corporate unit of health and prevention of risks at work, which oversees the safety of employees with the basic objective of reducing to the maximum the probability that any risk leads to an accident at work or a professional illness.

### OCCUPATIONAL HEALTH AND SAFETY

Seriousness	0.8
Number of employees who died in an accident at work	4
Hours not worked because of a common illness and non-labour accident	8,942,829 hours
Work absentee rate	3.45

#### Santander's health model: prevention of risks at work and promotion of health

- Assistance models and standardised recognition.
- Preventive medicine protocols: cardiovascular, back school, rehabilitation, ophthalmology.
- Campaigns to promote healthy habits.
- Nutrition policy and control in restaurants.
- Value-added assistance service: access to the most requested specialities.
- Training in the prevention of risks at work and health culture.
- Assessment, monitoring and control of work absenteeism.
- Control of risks at work: spaces, lighting, advice on fixtures.

#### "SANTANDER POR TU CORAZÓN"

Banco Santander and the Botín Foundation sponsor the study on the progression of early subclinical atherosclerosis led by the National Council of Cardiovascular Research, a pioneering investigation in early identification of the risk of suffering cardiovascular illnesses, especially atherosclerosis, under the guidance of the well known cardiologist Valentín Fuster.

Under the slogan "*Santander por tu corazón*", Santander offers the more than 2,000 of its professionals between the ages of 40 and 54 who do not suffer from cardiovascular illnesses the possibility of participating in this research. The first tests, which began in June 2010, were made on 449 professionals. In 2011, latest generation machines will be installed to complete the study which will be conducted on employees over the course of nine years.

As well as representing a benefit for the Bank's employees, this study is making a significant contribution to research and generation of knowledge in the sphere of health sciences.

The programme includes:

- Cardiovascular assessment.
- Full analysis.
- Diet plan.
- The right exercise for each patient.
- Regular monitoring.



# SUPPLIERS

Santander maintains with its suppliers a firm commitment to society and the environment

## COMMITMENT

To ensure equality of opportunity, with the maximum transparency in the awarding of contracts.

## MAIN ACTIVITIES IN 2010

- Development of the corporate model of integral management of spending and applying in the new countries.
- Launch of various initiatives to strengthen communication with suppliers.
- Aquanima was installed as the purchasing company at Santander Totta including the process of accrediting suppliers.
- Increase in the percentage of online negotiations.
- The pool of potential suppliers was optimised, respecting accreditation criteria.

## OBJECTIVES IN 2011

- Continue to advance in installing Aquanima as the purchasing company and in accrediting suppliers.
- Establish a system for controlling compliance with the commitments assumed by suppliers in the protocols of corporate social responsibility.
- Extend the exchange of best practices in management of suppliers to the countries where the Bank operates.
- Incorporate new functions to the supplier portal that enhance communication channels with the Group.

## PROFILE OF SUPPLIERS

Grupo Santander maintains stable relations with its suppliers based on ethics, transparency and mutual respect, thereby ensuring the quality and availability of the products and services.

Most of the contracts, in the main countries where the Group operates, include a declaration by the supplier committing them to respect and comply with the 10 principles of the United Nations Global Compact, which the Group adheres to, regarding human rights, labour regulations, protection of the environment and combating corruption and, to the extent of their possibilities, add value to the management of businesses.

Banco Santander, via Aquanima and Global Businesses, maintains commercial relations with 3,185 accredited suppliers, billing more than EUR 50,000 a year. Most of the suppliers (98%) are local (those with operations in the same geographical area where the purchase and invoice are made).

Of this volume, EUR 1,271 million was managed via the online platform (20% more than in 2009).

Banco Santander also continued to contract many of its services via special employment centres, at least 70% of whose employees are disabled by 33% or more. To achieve this, the offers of suppliers who can provide their service via this type of centre are evaluated alternatively.



Logistics centre, Grupo Santander City, Madrid, Spain



## MANAGEMENT OF SUPPLIERS

Aquanima is Banco Santander's purchasing unit. Its purpose is to select and negotiate with suppliers and incorporate all countries to the negotiating perimeter and to the accreditation processes established. Aquanima installed the management model for suppliers in Santander Totta during 2010 and continued to install the model in other Group companies.

## COMMUNICATION CHANNELS

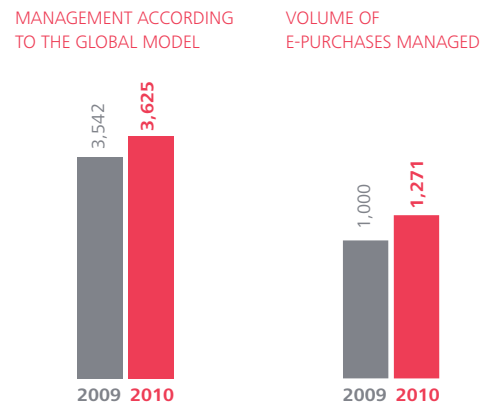
Banco Santander has a series of communication channels with suppliers in order to maintain a fluid and transparent relation and seek new ways to interact.

Of note among the new initiatives adopted in 2010 were:

- Banco Santander Totta held its first forum of suppliers at which the integral management of spending model was presented.
- Working breakfasts were held with suppliers on the Group's premises in order to know their needs and suggestions.
- A project was developed so that any communication with suppliers within a framework of negotiation is carried out electronically and via the platform used for this purpose, in order to continue to enhance transparency and communication in our processes. This began in 2010 and continues during 2011.
- Assistance as exhibitors at a fair in Mexico at which a console was prepared so that suppliers could register via the Aquanima portal, in order to increase the potential number of suppliers.

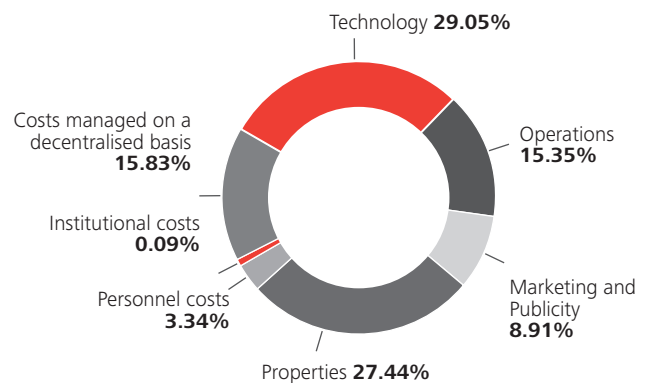
## PURCHASES

Million euros



## VOLUME MANAGED BY CATEGORY OF SPENDING

100%=EUR 3,625 million



## MAIN SUPPLIERS

By amount

	Spain	Portugal	United Kingdom	Brazil	Mexico	Chile	Rest	Total
< 50,000 €	67	101	56	364	119	275	197	1,179
> 50,000 € < 300,000 €	122	24	82	210	84	46	141	709
> 300,000 € < 1,000,000 €	54	10	70	105	41	14	60	354
> 1,000,000 €	112	14	51	153	24	12	64	430
<b>Total</b>	<b>355</b>	<b>149</b>	<b>259</b>	<b>832</b>	<b>268</b>	<b>347</b>	<b>462</b>	<b>2,672</b>



# PROCESS OF PREPARING THE REPORT

The Sustainability Report reflects the Bank's main activities in the sphere of corporate social responsibility and in relation to each of its stakeholders.

As a result of an analysis to identify the material features in the economic, social and environmental spheres, various contents and indicators, both central and sectoral, were again generated, responses to which are given in the different sections of this Report. The report is also considered as a faithful reflection of the Bank's relations with its internal and external stakeholders (shareholders, customers, employees, suppliers and society) via different internal and external communication channels.

To achieve this, we use the internationally recognised Global Reporting Initiative (GRI) standards and the principles of inclusiveness, relevance and capacity of response proposed by the AA1000 APS rules of AccountAbility. In the case of complying with the GRI standards, for the second year running the information for responding to the Financial Services Sector Supplement was given and the perimeter of environmental information was increased significantly, thereby better responding to the relevant features manifested by stakeholders.

## PARTICIPATION OF STAKEHOLDERS AND RELEVANT ISSUES

Banco Santander maintains an active dialogue with its stakeholders via various mechanisms and communication channels mostly managed by the Bank's different areas such as the corporate unit of customers and quality, the shareholders' area, the investor relations area, human resources, risk, the integral management of spending area, Santander Universities, Asset & Capital Structuring and the Bank's commercial units in each country.

In addition to the usual mechanisms, Santander has conducted the following activities as part of the process of preparing the Report.

- Consultative process. Various work meetings were held with customers, the media, shareholders, trade unions, suppliers, NGOs and foundations as well as individual interviews with representatives of organisations specialised in each of the relevant issues identified. The aim of this continuous process was to know the opinion of stakeholders on the quality of information in the 2009 Sustainability Report and its facility of use as well as their opinion of the Group's corporate social responsibility strategy.
- Analysis and identification of the relevant aspects. Santander conducted a comparative analysis of the issues treated in the corporate responsibility reports of the main financial sector

leaders in sustainability. At the same time, with the help of the consultancy KPMG, a search was made of the press to identify what were the most important issues, in particular those that could have caused reputational crises for Santander and the financial sector. Meanwhile, the Bank took into account the opinion of both socially responsible investors as well as that of organisations certifying social responsible activities and noteworthy opinion makers on the most relevant issues affecting the financial sector.

## RESULTS OF THE PARTICIPATION OF STAKEHOLDERS AND OF THE STUDY IDENTIFYING THE RELEVANT ISSUES

As a result of these two processes, a series of conclusions were obtained on both the most relevant issues identified in corporate social responsibility as well as opportunities for improvement on the basis of the analysis of the 2009 Sustainability Report.

The main conclusions which refer to the most relevant issues when preparing the Sustainability Report are as follows:

- Context of the economic crisis. This continues to be, for stakeholders, an important determinant which influences all the issues identified in this process.

In this context, Santander managed to situate itself as reference financial institution in profitability, solvency and efficiency, thanks to a business model based on prudence in risk, a strong balance sheet, geographical diversification and corporate governance focused on the creation of sustainable value.

- The Report's credibility depends on it being perceived as an objective and balanced exercise of rendering accounts in the sphere of sustainability, reporting both the positive and negative features of Santander's performance in social, environmental, economic and ethical matters.

Santander wanted to progress in this matter by conducting a self-assessment of its performance in corporate social responsibility matters, complementing the 2010 balance of meeting the objectives set in the previous year (see the organisational chart on page 14).

- Sustainable ethics. In it particularly important in a crisis environment to recover the confidence of customers and of society in the financial sector.

For a bank like Santander whose main activity is retail banking, its performance is particularly important from the standpoint of customers. Some factors, such as the increased number of operations via electronic means, make security in this type of

transaction the most relevant issue. The transparency in commissions charged and the products and services offered and their features have also assumed importance.

- As regards issues related to social investment and the impact of activities on the communities in which Santander operates, initiatives related to financial inclusion are considered relevant, especially in developing countries, so that Santander can increase its customer base and provide access to banking services for the least favoured communities. Meanwhile in mature markets, such as Spain and the UK, greater relevance is attached to developing a policy of social actions which includes measuring the impact of these actions.
- Among the initiatives carried out in the environmental field and combating climate change, the issue of greatest concern is Santander's capacity to invest in projects that foster the combat against climate change such as renewable energy projects. Another concern is to improve energy efficiency in its operations in order to minimise their environmental impact.
- In addition, more importance than in previous years is observed in features related to protection of human rights, such as the implementation mechanisms of the Equator Principles, in order to avoid non-compliance in this sphere in the investments made, particularly in countries or regions with human rights risks.
- Other issues which should be treated with particular interest are the commitment to job stability due to the global employment crisis, especially in mature markets, and the importance of attracting and retaining the global talent needed to continue being a group with global reach. Also noteworthy is the increasing importance of transparency in corporate governance, in issues such as transparency in the remuneration of board members.

As part of its commitment to the process of identifying stakeholders' needs and expectations, Grupo Santander will continue to strive to enhance continuous dialogue with stakeholders, increasing the geographical scope of these consultations as well as the number of organisations consulted, all within the period of preparing future sustainability reports.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## Independent Assurance Report on the 2010 Sustainability Report of the Santander Group

### Scope of our work

We have performed a review of the 2010 Sustainability Report of Santander Group hereinafter referred to as "the Report", the scope of which is defined in its back cover. Our work consisted of the review of:

- The adherence of the content of the Report to the GRI Sustainability Reporting Guidelines version 3.0 (G3) and the 2010 core performance indicators and the financial services sector supplement indicators proposed in the aforementioned guidelines.
- The information included in the Report relating to the application of the principles of inclusivity, materiality and responsiveness set out in the AccountAbility's AA1000 Accountability Principles Standard 2008 (AA1000APS).
- The information provided on the progress in Corporate Social Responsibility objectives for 2010.

### Assurance standards and procedures

We carried out limited assurance in accordance with International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with Guidelines for engagements relating to the review of Corporate Responsibility Reports issued by the Spanish Institute of Certified Public Accountants. Also, we have applied AccountAbility's AA1000 Assurance Standard (2008) (AA1000AS) to provide moderate assurance on the application of the principles established in standard AA1000APS and on the sustainability performance indicators (type 2 moderate assurance).

Our work consisted of making enquiries to Management and certain units of Santander Group involved in the preparation of the Report, and of carrying out the following analytical procedures and sample-based review tests:

- Meetings with Santander Group personnel to ascertain the principles, systems and management approaches applied.
- Analysis of the processes relating to the collection and validation of the reported information.  
Review of the 2010 Sustainability Committee meetings minutes.  
Review of the steps taken in relation to the identification and consideration of the stakeholders during the year and of the stakeholder group participation processes through the analysis of the available internal information and third-party reports.
- Analysis of the coverage, materiality and completeness of the information included in the Report on the basis of the understanding of Santander Group of its stakeholders groups' requirements in relation to the relevant issues identified by the organization and described in the "Process of preparing the report" chapter.
- Review of the information relating to the management approaches applied to Sustainability.
- Checking that the contents of the Report do not contradict any significant information furnished by Santander Group in its Annual Report.
- Analysis of the adherence of the contents of the Report to those recommended in the GRI G3 Guidelines and verification that the core and sector indicators included in the Report agree with those recommended by these Guidelines and that any inapplicable or unavailable indicators are identified.
- Review on a sample basis, of the quantitative and qualitative information relating to the GRI indicators included in the Report and the adequate compilation thereof based on the data furnished by the information sources of Santander Group.

### Responsibilities of Grupo Santander Management and of Deloitte

- The preparation and contents of the Report is the responsibility of the Corporate Social Responsibility Department of Santander, which is also responsible for defining, adapting and maintaining the management and internal control systems from which the information is reported.
- Our responsibility is to issue an independent report based on the procedures applied in our review.
- This report has been prepared solely for Santander Group management in accordance with the terms and conditions of our Engagement Letter. We do not accept any liability to any third party other than Santander Group management.
- We conducted our work in accordance with the independence standards required by the Code of Ethics of the International Federation of Accountants (IFAC).
- Our team consisted of a combination of professionals with assurance qualifications and professionals with social, environmental and stakeholder engagement experience and sustainability report assurance experience.
- Since a limited assurance is substantially less in scope than a reasonable assurance engagement, we do not provide reasonable assurance on the Report.



## Conclusions

The "GRI Index Contents" provides details of the indicators reviewed and of the limitations in the scope of our work, and identifies any indicators that do not cover all the areas recommended by the Global Reporting Initiative Sustainability Reporting Guidelines version 3.0 (G3). As a result of our review, no other matters were disclosed that would lead us to believe that the Report contained material errors or that it was not prepared in accordance with the Guide mentioned before.

Also, the review procedures performed did not disclose any matter that would lead us to believe that Santander Group did not apply the principles of inclusivity, materiality and responsiveness as described in the chapter "Process of preparing the Report" in accordance with standard AA1000 APS 2008:

- **Inclusivity:** stakeholders' participation in the development of a responsible approach of sustainability.
- **Materiality:** the process of determining materiality means the understanding of the material or important issues for Santander Group and its stakeholders.
- **Responsiveness:** actions and specific commitments in response to the material issues identified.

Finally, our work did not disclose any matters that would lead us to believe that the information furnished about the progress made on Corporate Social Responsibility objectives in 2010, in the "Main Activities in 2010" sections, contained material errors.

## Observations and recommendations

In addition, we presented to the Management of Santander Group our recommendations relating to the areas for improvement in sustainability management and in the application of the principles of inclusivity, materiality and responsiveness. Following is the summary of the most significant recommendations, which do not modify the conclusions presented in this report.

### Inclusivity

In keeping with prior years the Group has continued to perform an industry materiality analysis and consultations with CSR experts in the main countries in which it is present. The Group should extend these consultations to specific stakeholders and systematise the obtainment of information through the communication channels already available to its stakeholders.

### Materiality

The materiality study carried out by the Group prioritises each of the issues identified on the basis of the opinions of socially responsible investors and CSR experts and the degree of attention paid to each of these matters in the CSR Reports of companies in the industry. The materiality of each matter is evaluated on the basis of an external analysis which identifies any matters to be managed from a reputational standpoint.

Although this allows the Group to identify the relevant issues in the industry, we believe that it should go deeply into the systematic integration of all the Santander Group's local and corporate sources of information. Also, specific criteria and thresholds should be unified for the purposes of identifying material issues for the Group.

### Responsiveness

Following the approval in 2009 of the corporate CSR policies (general and industry-specific) in relation to project finance transactions, the processes required for their implementation were undertaken in 2010. Although significant advances have been made, there are still areas of improvement related mainly to the annual monitoring of the transactions approved. The Group should also consider widening the scope of these policies to include other types of financing and investment which also involve transactions with a significant social and/or environmental impact.

With regard to internal environmental management, 2010 saw the improvement of the global information gathering system and the approval of a three-year efficiency plan. This plan provides an opportunity for monitoring compliance with targets for the reduction of CO2 emissions and electricity consumption, thereby facilitating the management of the Group's direct environmental impact. Advancements in training the employees in charge of this area in each country and the inclusion of periodic reports will contribute to improving the quality of the information and its usefulness in management.

With regards to incorporating aspects of CSR into the supply chain, there are still areas that require improvement, such as the performance of CSR audits of suppliers that present risk and the inclusion of environmental and social requirements in the purchase of certain products and services.

Finally, we recommend making progress in the development of the CSR balanced scorecard through periodic reporting of the most appropriate management indicators and the monitoring thereof by the Sustainability Committee.

DELOITTE, S.L.



Helena Redondo  
Madrid, May 6th 2011



**AA1000**  
Licensed Assurance Provider  
000-14

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# DISCLOSURE APPROACHES/ CORE INDICATORS

## GRI G3 CONTENT INDEX Economic dimension

<b>Economic performance (p. 4-5, 8-9, 11-13)</b>		<b>Scope</b>	<b>Assurance</b>
EC1	p. 5	Group	✓
EC2	p. 32-33 and 36	Group	(1)
EC3	p. 54 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
EC4	GRI performance Indicators published in the Sustainability section in www.santander.com	Group in Spain (except for Banesto)	(2)
<b>Market presence (p. 8-9, 54, 56)</b>			
EC6	p. 56	Group	✓
EC7	p. 54 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group (except for Sovereign and United Kingdom)	✓
<b>Indirect economic impacts (p. 10-15, 17-31)</b>			
EC8	p. 17-31	Group	✓

## GRI G3 CONTENT INDEX Environmental dimension

<b>Materials (p. 32-33)</b>		<b>Scope</b>	<b>Assurance</b>
EN1	p. 33	Group	(3)
EN2	GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
<b>Energy (p. 32-33)</b>			
EN3	p. 33 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
EN4	GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
<b>Water (p. 32-33)</b>			
EN8	p. 33 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
<b>Biodiversity (matters not considered a priority and, therefore, no specific management approaches are in place)</b>			
EN11	All headquarters of the Santander Group are located on urban land and, therefore,		
EN12	do not affect natural protected areas or areas of high biodiversity value.		
<b>Emissions, effluents and waste (p. 32-33)</b>			
EN16	p. 33	Group	(4)
EN17	p. 33	Group	(5)
EN19	The Group's activities do not generate significant emissions of these substances.		
EN20			
EN21	All the Group's headquarters are located on urban land and, therefore, the water is channelled through the urban network.		
EN22	p. 33	Group	(6)
EN23	The Group's activities do not generate significant discharges of dangerous substances		
<b>Products and services (p. 34-37)</b>			
EN26	p. 34-35	Group	(7)
EN27	The Group's activities do not generate significant volumes of products with recoverable materials.		
<b>Compliance (p. 13)</b>			
EN28	GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓

(1) Total monetary value is not reported

(2) The information provided relates only to subsidy received for training

(3) The paper consumption estimate was reported on the basis of purchase data from the main suppliers applying average prices and weights in the various countries in which the Santander Group is present

(4) These emissions include those arising from direct energy consumption (natural gas and diesel), indirect energy consumption (electricity) and those resulting from business travel by plane and road.

Additionally, emissions from employee commuting routes, this year are included in the indicator EN 17. The emissions arising from the use of courier services are not included

(5) The scope of reporting has increased in 2010 to reflect the emissions of the main countries of the Group, incorporating Germany and the United States that were not reported in 2009

(6) The method of treatment is not specified

(7) The degree of reduction of the impact is not reported



**GRI G3 CONTENT INDEX** Social dimension: labor practices and decent work

		<b>Scope</b>	<b>Assurance</b>
<b>Employment (p. 50)</b>			
LA1	p. 50, 53	Group	✓
LA2	p. 50 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	(8)
<b>Labor/Management relations (p. 54)</b>			
LA4	p. 54	Group	✓
LA5	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Occupational Health and Safety (p. 55)</b>			
LA7	p. 55 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	(9)
LA8	p. 55	Group	✓
<b>Training and Education (p. 51-52)</b>			
LA10	p. 53	Group	(10)
<b>Diversity and Equal Opportunity (p. 52)</b>			
LA13	p. 64-68 of the Annual Report p. 50 and 53 of the Sustainability Report GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	(11)
LA14	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Spain	✓

**GRI G3 CONTENT INDEX** Social dimension: Human Rights

		<b>Scope</b>	<b>Assurance</b>
<b>Investment and Procurements Practices (p. 56-57)</b>			
HR1	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
HR2	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	(12)
<b>Non-discrimination (p. 52, 54)</b>			
HR4	p. 54	Group	✓
<b>Freedom of Association and Collective Bargaining (p. 54)</b>			
HR5	p. 11 and 54	Group	✓
<b>Child Labor (p. 54)</b>			
HR6	p. 11 and 54	Group	✓
<b>Forced and Compulsory Labor (p. 54)</b>			
HR7	p. 11 and 54	Group	✓

**GRI G3 CONTENT INDEX** Social dimension: Society

		<b>Scope</b>	<b>Assurance</b>
<b>Community (p. 4, 10-15)</b>			
SO1	p. 17-23 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Corruption (p. 13)</b>			
SO2	p. 13	Group	(12)
SO3	p. 13 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
SO4	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group in Spain (except for Banesto)	✓
<b>Public Policy (p. 10-15)</b>			
SO5	p. 12, 14-15 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Compliance (p. 13)</b>			
SO8	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓

(8) The turnover rate, by age, is not broken down

(9) There is not regional disaggregation

(10) Not broken down by employee category

(11) Not reported the presence of minorities and other diversity indicators

(12) Not reported in percentage

**GRI G3 CONTENT INDEX** Social dimension: product responsibility

<b>Customer Health and Safety (p. 13, 47)</b>		<b>Scope</b>	<b>Assurance</b>
PR1	p. 13, 34 and 47, p. 200-201 of the Annual Report GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	(12)
<b>Product and Service Labelling (p. 13, 47)</b>			
PR3	p. 13, 34 and 47, p. 200-201 of the Annual Report	Group	(12)
<b>Marketing Communications (p. 13, 47)</b>			
PR6	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Banco Santander S.A.	✓
<b>Compliance (p. 13)</b>			
PR9	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓

**GRI G3 CONTENT INDEX** Product and services impact section

<b>Product and Service Impact (p. 34-35, 48-49)</b>		<b>Scope</b>	<b>Assurance</b>
FS1	p. 32, 34-35	Group	✓
FS2	p. 34-35	Group	✓
FS3	p. 34-35 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
FS4	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
FS5	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Banco Santander S.A.	✓
<b>Product Portfolio (p. 8-9, 29, 36, 48-49)</b>			
FS6	p. 8-9 and pages 31-49 of the Annual Report	Group	✓
FS7	p. 29, 48-49	Group	✓
FS8	Page 36	Group	(1)
<b>Audit (p. 34-35)</b>			
FS9	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Active Ownership (p. 49)</b>			
FS10	p. 34-36	Group	(12)
FS11	p. 34-36 and 49	Group	(12)
FS12	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>SOCIAL DIMENSION: Community (p. 10-12, 29, 48)</b>			
FS13	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Banco Santander, S.A	✓
FS14	p. 29 and 48	Group	✓
<b>SOCIAL DIMENSION: Product Responsibility (p. 11, 14, 25, 29, 47)</b>			
FS15	Page 47, p. 200-201 of the Annual Report	Group	✓
FS16	p. 11, 14 and 29	Group	✓

(1) Total monetary value is not reported

(12) Not reported in percentage

## GLOBAL REPORTING INITIATIVE

This report was drawn up in accordance with the guidelines of the Guide for Preparing Sustainability Reports of the Global Reporting Initiative (GRI) published in 2006 and known as G3.

Banco Santander covers in its Corporate Social Responsibility Report the requirements associated with the A+ level of G3 Application, as regards the profile, management approach and performance indicators, which have been submitted to verification mechanisms.

The index and the table of performance indicators, on basic GRI contents, indicate the pages and the coverage of the requirements, management approaches and indicators. If central performance indicators are omitted, the page in the Report explaining why is given, after considering the principle of materiality.



## GENERAL INFORMATION

### **Banco Santander, S.A.**

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

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

### **Registered office**

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

### **Operational headquarters**

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