

# SANTANDER, A RESPONSIBLE AND SUSTAINABLE BANK



**2017** SUSTAINABILITY REPORT



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# Santander a responsible and sustainable bank

We generate stable and recurrent profit while contributing to social and economic progress in the communities where the bank operates.



FOR FURTHER INFORMATION VISIT THE 2017 SANTANDER SPAIN SUSTAINABILITY REPORT HERE



"OUR PURPOSE IS TO HELP PEOPLE AND BUSINESSES PROSPER"

**ANA BOTÍN**  
GROUP EXECUTIVE CHAIRMAN



RETURN ON TANGIBLE EQUITY (UNDERLYING)

**11%**



FULLY LOADED CET1 CAPITAL RATIO

**10.84%**



EFFICIENCY (COST-TO-INCOME)

**47%**

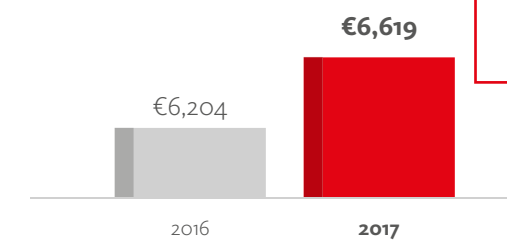


NPL RATIO

**4.08%**

## Attributable profit

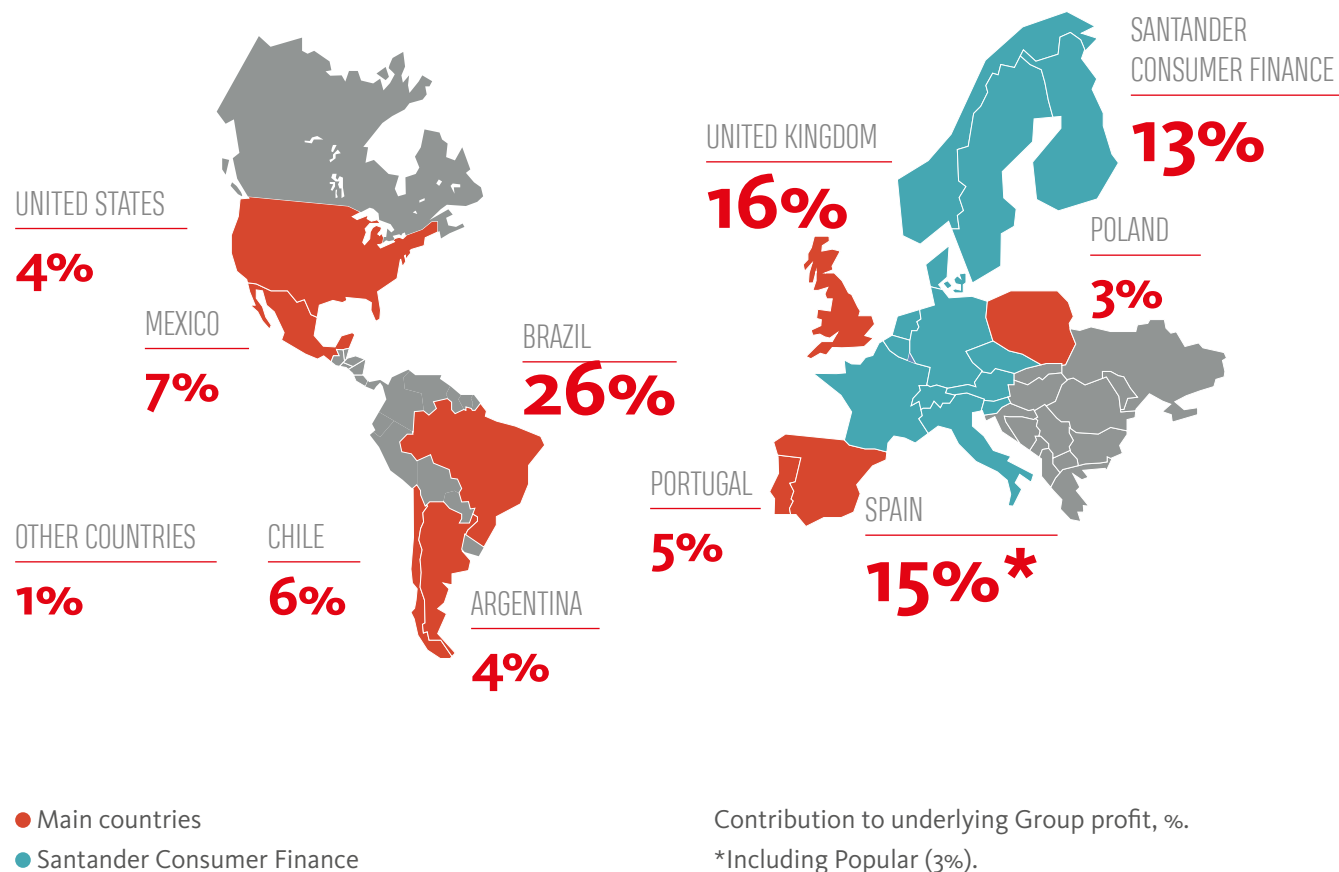
(Millions of euros)



**+7%\***  
2017 / 2016

\*+7.4% in constant euros.

**BALANCED GEOGRAPHIC DIVERSIFICATION IS THE KEY TO OUR STABLE AND PREDICTABLE GROWTH**



**People**

<b>€12,047 million</b> PERSONNEL EXPENSES <sup>1</sup>	<b>97%</b> employees WITH PERMANENT CONTRACTS	<b>10 years</b> AVERAGE LENGTH OF EMPLOYMENT
-----------------------------------------------------------	-----------------------------------------------------	-------------------------------------------------

**Customers**

<b>€848,914 million</b> LOANS OUTSTANDING (NET)	<b>€473,075 million</b> TO HOUSEHOLDS	<b>€33,088 million</b> TO PUBLIC ADMINISTRATIONS	<b>&gt; 250,000 microbusinesses</b> SUPPORTED IN BRAZIL AND OTHER COUNTRIES
	<b>€288,912 million</b> TO COMPANIES	<b>€53,920 million</b> TO OTHERS <sup>2</sup>	

<sup>1</sup> From Group audited accounts.  
<sup>2</sup> Including financial business activities and customer prepayments.

**Shareholders**

<b>€3,540 million<sup>3</sup></b> TOTAL SHAREHOLDER REMUNERATION	<b>€88,410 million</b> STOCK MARKET VALUE AT YEAR-END 2017, LARGEST IN THE EURO ZONE	<b>€0.22</b> Dividend per share, +7% <sup>4</sup>
---------------------------------------------------------------------	-----------------------------------------------------------------------------------------	---------------------------------------------------------

**Communities**

<b>€183 million</b> COMMUNITY INVESTMENT	<b>€129 million</b> INVESTMENT TO UNIVERSITIES	<b>€54 million</b> INVESTMENT TO PROGRAMMES AND PROJECTS TO SUPPORT COMMUNITIES
---------------------------------------------	---------------------------------------------------	------------------------------------------------------------------------------------

**Suppliers**

<b>€7,770 million</b> PAYMENTS TO SUPPLIERS	<b>9,104 Approved suppliers</b> THROUGH ITS GLOBAL PROCUREMENT MODEL	<b>95%</b> Local group's SUPPLIERS
------------------------------------------------	-------------------------------------------------------------------------	------------------------------------------

**Tax contribution**

<b>€7,972 million</b> TAXES PAID	<b>€4,137 million</b> CORPORATE INCOME TAX	<b>€3,835 million</b> OTHER OWN TAXES PAID, INCLUDING SOCIAL CONTRIBUTIONS
-------------------------------------	-----------------------------------------------	----------------------------------------------------------------------------------

<sup>3</sup> Subject to the approval of the fourth dividend against the 2017 results by the board of directors and the General Shareholders Meeting.  
<sup>4</sup> Adjusted for the July 2017 capital increase.



# Milestones in 2017

## Employees

### MyContribution

To continue strengthening our Simple, Personal and Fair culture, we are introducing a new way of assessing our employees' performance. The Group's employees are assessed on the basis of their level of commitment to corporate behaviours (40%) and their ability to meet their targets (60%).



### New corporate principles of diversity and inclusion

These principles, which will provide a framework for Group policies, are complemented by strategies and initiatives in the local units.

### New ways of working

We have created new working spaces with more open spaces and technological tools to boost teamwork. In addition, Santander continues to promote the flexiworking culture to improve the work life balance.



## Customers

### Tuio

A new financial inclusion initiative in Santander Mexico for people with low incomes which aims to have a measurable social impact through a broad and expanding range of interconnected products (from microcredits to microinsurance, remittances, payments, etc.).



### New corporate consumer protection policy

In 2017, Banco Santander approved a new corporate consumer protection policy that sets specific criteria for identifying and implementing **consumer protection** principles.

### First green bond issued by the Bank in Poland

Bank Zachodni WBK issued a **green bond** with the International Finance Corporation of €136 million with a tenor of 10 years.

### Cimate Finance

The Bank has participated in the finance of new renewable energy projects with a total installed capacity of 3,390 MW.

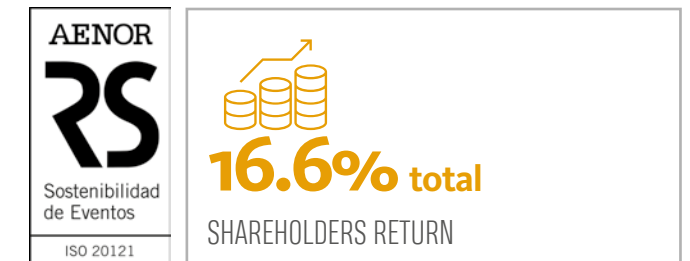
### Openbank has become the first fully digital Spanish bank

Offering a broad value proposition with innovative features, while meeting the highest security standards.



## Shareholders

Santander is the first European entity to receive the ISO certification for sustainable events management.



## Governance

### New mining and metals policy

added to the other sectoral policies.

### UNEP FI pilot project

Santander, together with 15 other major banks, have joined United Nations Environment Programme Finance Initiative to develop a pilot project to implement the FSB TCFD recommendations.

SUSTAINABILITY ACHIEVEMENTS

DJSI

Banco Santander was included again in the Dow Jones Sustainability Index (DJSI), where it maintains its presence since 2000. Ranked ninth worldwide, second in Europe, and first in Spain for the seventh consecutive year, the Bank was classified in the bronze category in the banking sector.



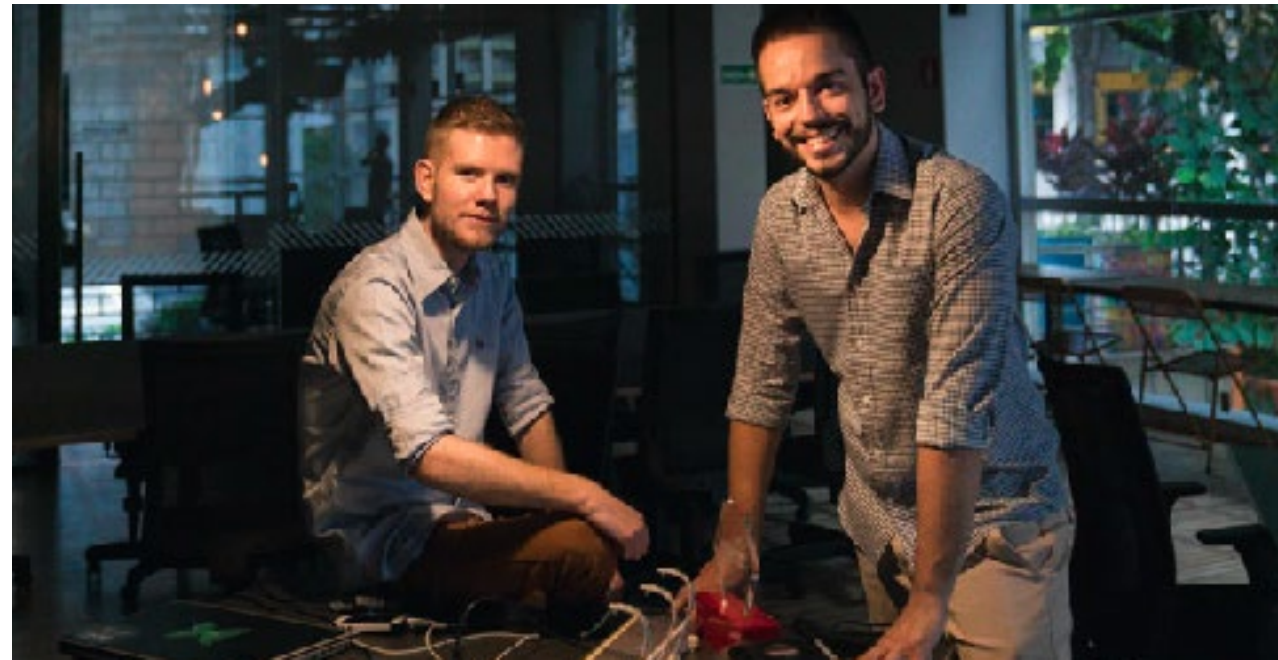
Banco Santander, world leader in the Bloomberg Gender- Equality Index (GEI)

With an evaluation of 93.4 points out of 100, Banco Santander took first place in this index made up of 104 participating entities from different sectors worldwide.



Newsweek Green Ranking

We have been ranked as the best bank in the Newsweek Green Ranking, which mainly analyzes internal environmental performance.



**JADER STEFANELLO AND FERNANDO FERREIRA**, STUDENTS AT THE UNIVERSIDADE FEDERAL DE SANTA MARIA IN BRASIL AND **WINNERS OF THE EMPREENDA SANTANDER 2K17** AWARD FOR THEIR LUNIX PROJECT, WHICH DEPLOYS SENSORS FOR INTELLIGENT MANAGEMENT OF URBAN LIGHTING NETWORKS.

Communities

Santander X



Santander X is an innovative platform that brings together all the support programmes for entrepreneurs that Banco Santander has been supporting in universities around the world for the last 20 years. Santander X aims to be a meeting place entrepreneurs. It will be the largest global ecosystem for university entrepreneurship - a shared space for international collaboration among universities, businesses and entrepreneurs, who want to make their projects a reality. It will be open to the world.

Environment

Banco Santander is firmly committed to the environment and the fight against climate change, which is reflected in various lines of action, such as the analysis of social and environmental risks in funding transactions, the development of products and services with a positive environmental impact and the measurement of its internal environmental footprint.



**43%** of the electricity

CONSUMED BY THEGROUP IS FROM RENEWABLE SOURCES. (100% IN SPAIN, THE UK AND GERMANY).



**100%** 2016-2018 Efficiency Plan targets

FULFILLED A YEAR EARLIER.

Community investment



**1,295**

Agreements with universities OTHER ACADEMIC INSTITUTIONS IN 21 COUNTRIES.



**44,862**

scholarships AND GRANTS IN 2017.



**8,731**

partnerships WITH SOCIAL INSTITUTIONS AND ENTITIES.



**2.1**

million people HELPED.



# Building a responsible, digital bank

What makes a truly successful business? For me, the answer is simple. It's a business that recognises it has a responsibility to its employees, customers, shareholders and the wider community - everyone who has a stake in the business, or is touched by its activities in some way.

"COMMUNITIES ARE BEST SERVED BY CORPORATIONS THAT HAVE ALIGNED THEIR GOALS TO **SERVE THE LONG TERM GOALS OF SOCIETY**"

It's a business that understands its purpose is more than making a profit: it has a clear sense of how, by making a profit, it benefits society as a whole, today and for generations to come.

"PEOPLE RIGHTLY EXPECT **BUSINESSES TO PLAY A ROLE IN FOSTERING SUSTAINABLE GROWTH, AND A TRANSITION TO THE GREEN ECONOMY IN A WAY THAT IS RESPONSIBLE TOWARDS SOCIETY**"

By delivering on our purpose, and helping people and businesses prosper, we grow as a business and we can help society address its challenges too. Economic progress and social progress go together. The value created by our business is shared – to the benefit of all.

The reason “doing good” is good business can be summed up in one word: loyalty. A business that treats its team with respect, and nurtures talent, builds a motivated, loyal workforce. A loyal workforce serves customers with care and dedication, willing to go the extra mile to earn the loyalty of customers. Loyal customers generate growth year after year, which in turn creates lasting loyalty among shareholders. And by generating predictable profits, the business is able to invest in the communities it serves, sharing the profits it makes so more people benefit from growth. And this motivates the workforce - and so the virtuous circle of growth starts again.



## The need to be responsible

To earn this loyalty, we need to act responsibly in all we do - in our day to day operations, and in how we fulfil our purpose. In doing so we face four clear challenges.

First - and most important of all - is the public's loss of trust in banks following the challenge financial crisis. **Ethics** and **conduct** in the financial sector remain under the spotlight, for understandable reasons. Companies that do the right thing are rewarded. Those who don't, pay the price. Doing the right thing means doing the basics properly. Dealing with complaints, selling products and services people understand and want, being open and transparent about their operations, treating employees with courtesy and respect - these are essential, a given.

The second challenge has been created by the **digital revolution**. Digital technology has given people more information, choice and power. This means every company has to adapt its business model, and how its team operates. The nature of work is changing, creating new opportunities but also new challenges. In banking, this is especially so: how people bank, and use technology, is undergoing a rapid transformation - requiring us to innovate quickly, while safeguarding personal data and the security of our systems.

The third challenge is **inclusive growth**. How we ensure more people share in the benefits of growth, and fewer people get left behind as the digital revolution continues, is a matter of debate across the world. As banks oil the wheels of the world's economy, financing multinationals and entrepreneurs, obviously we have a part to play in the debate about how best to tackle financial and social exclusion. Two billion people currently do not have a bank account.



Without access to the financial system, it's difficult for them to share in prosperity. A bank account brings with it peace of mind that a day's wages are kept safe, the opportunity to get a loan to buy a car, go to college or buy a home.

Meanwhile, 600 million jobs need to be created over the next 15 years to match the growth in the global workforce. Many of these jobs will be created by small businesses, which are the engine of economic growth. Some will be in regions where digital technology is giving small businessmen the first opportunity to open a bank account. Others will be created by businesses which export; here too digital technology can play a part, connecting firms on one continent with firms in another with ease and speed.

The fourth challenge is the need for **sustainable growth**. Climate change, the growth in the world's population and scarce natural resources to meet their needs, pose significant social, environmental and economic risks but also opportunities. \$1 trillion in clean energy investments is needed each year if we are to limit global warming to below 2°C. Tackling those risks requires innovation, enterprise and finance.

People rightly expect businesses to play a role in fostering sustainable growth, and a transition to the green economy in a way that is responsible towards society. All of this is why communities are best served by corporations that have aligned their goals to serve the long term goals of society.

"WE NOW NEED TO **BUILD ON OUR SUCCESS**, FOCUSING MORE ON HOW WE CONFRONT THE FOUR CHALLENGES WE FACE - AND TURNING THOSE WORDS "**RESPONSIBLE BANKING**" INTO ACTION"

"**WE HAVE A BOLD, AMBITIOUS AGENDA**. BUT I AM CONFIDENT THAT WE CAN DELIVER IT, THANKS THE STRENGTH OF OUR BUSINESS MODEL"

## Santander's strong foundations

I believe Santander is well placed to face up to these challenges. The proof is there to see in our annual results.

**Growth.** Last year, I said we would increase our number of loyal customers by a further 1.8 million to 17 million, and invest in technology to raise the number of digital customers to 25 million. We have achieved these targets, with loyal customer growth of 13% compared to last year to 17.3 million, and digital customer growth of 21% to 25.4 million. This had positive impacts on our revenues - in particular the net fees line grew by 14% to €11,597 millions.

**Profitability.** Santander is one of the most profitable banks in the world (10.4% underlying RoTE), and as I set out last year we maintained a broadly stable cost to income ratio making Santander one of the most efficient banks in the world (47% cost to income ratio). This allows us to lend more to customers; increase dividends (11% cash dividend per share increase) and generate capital through organic growth (53 bps increase) all at the same time.

**Strength.** I said that in 2017 our aim was to increase our earnings and dividend per share; and that we would do this while continuing to grow our capital towards our target of reaching more than 11% Fully Loaded Common Equity Tier 1 by 2018. How have we done? We have grown our

attributable profit per share by 1% compared to last year, and we have increased our FL CET1 by 29 basis points to 10.84%, on track to achieve our 2018 target.

We have achieved this because we have a clear and simple approach to businesses.

We have a clear purpose: to help people and businesses prosper. To fulfil that purpose, we have a clear aim: to be the best retail and commercial bank by earning the lasting loyalty of our people, customers, shareholders and communities.

And to achieve that, we strive to act responsibly, by being simple, personal and fair in all we do.

We now need to build on this success, focusing more on how we confront the four challenges I set out above - and turning those words "responsible banking" into action.

It's work in progress, but the building blocks are there to see, and are set out in the following pages.

As to ethics and conduct, our overriding imperative is to ensure our operations are simple, personal, fair. To make those words reality, we have taken steps to ensure that our commitments to act in a responsible way are properly understood by our teams; that they are implemented; and that performance and progress is measured in a meaningful way. Governance is key.

We also continue to simplify our processes, so they are easy to understand and quick to implement. As well as this, we need to ensure that people are encouraged to behave in a responsible way. Starting in 2017, under our newly created performance management system My Contribution, 40% of variable remuneration is linked to how well employees live our behaviours.



To meet the challenge of the digital revolution, we are using our scale and expertise to capture new opportunities in an agile, innovative way, seizing new opportunities by being agile and flexible while ensuring reliability of the more established business. In Spain, we re-launched Openbank with its own, new IT structure and new team. It now serves 1 million customers, offering a full range of services – from stocks to mortgages, but only has one branch and just 70 full-time employees, some of whom have never worked for a bank before. In Brazil SuperDigital – which allows customers to carry out transactions on their phones - is growing at around half a million customers a year (many of whom are opening a bank account for the very first time).

To innovate well we need to share best practice and collaborate effectively – which is a strategic target for us this year. Each of our businesses is independently managed and locally-responsive, but we want to maximize the value from being part of a group, so we continue to create the best possible products for our customers.

Digital technology and innovative business solutions are also helping us generate inclusive growth, by tackling financial and social exclusion. Through our financing inclusion initiatives, in 2017 we have helped more than 250,000 micro entrepreneurs with credits and more than 800,000 people with financial education.

And by providing green finance, and applying social and environmental policies, we are addressing the challenge of sustainable growth. This year in Mexico, Santander led the financing of the largest wind farm in Latin America, in USA we have been recognized as the leading Renewables Lender by Euromoney and we launched the first range of sustainable investment funds in Spain.

Our approach is underpinned by Santander Universities, a unique network of 1,200 universities in Europe and Latin America that has been created over decades.



Today, Santander is the world's largest corporate contributor to education – proof of our commitment to helping spread opportunity and prosperity. We are now going to use this platform not only to support students at university, but also to harness universities' research and wisdom to tackle the challenges above. In doing so, we contribute towards the UN Sustainable Development Goals.

**A Responsible, Digital Santander**

This is a bold, ambitious agenda that we are setting ourselves. But I am confident that we can deliver it, thanks to the strength of our business model. Our scale, diversification, and predictable growth means we will continue to deliver stable returns for our shareholders while benefiting society. Our targets for this year are:

**Growth:** We aim to have 18.6 million loyal customers (an 8% increase) and 30 million digital customers (an 18% increase) for 2018.

**Profitability:** We are targeting a RoTE of more than 11.5%.

**Strength:** We are aiming for FL CET1 above 11%, double digit growth in earnings per share and cash per share dividend growth.

We will achieve this by following age old lessons. Our business depends on lasting loyalty.

To earn that loyalty, we will strive to act responsibly in everything we do, acting in a way that is Simple, Personal and Fair.

And we will do all we can to fulfil our purpose – to help people and businesses prosper.

This approach, which reflects the responsibilities we have to all those we serve, will be the bedrock on which we build our new digital future.

**Ana Botín**  
Group Executive Chairman

# Strategic Targets 2018



**TOP3** of the best banks

TO WORK FOR IN THE MAIN MARKETS, ACCORDING TO RESPECTED LOCAL RANKINGS.



**30 million**  
OF DIGITAL CUSTOMERS (+18%)



RoTE MORE THAN  
**11.5%**



REACH  
**5 million**  
PEOPLE HELPED IN THE PERIOD 2016-2018



# What our stakeholders tell us

We value a close relationship with all our stakeholders. By understanding their concerns we not only earn their trust and loyalty, but we can do more to fulfil our purpose — to help people and businesses prosper.

LISTENING TO THE OPINIONS OF OUR STAKEHOLDERS, MEASURING THE PERCEPTIONS OF THE BANK, AND IDENTIFYING HOW SANTANDER IS RATED AS A BANK ARE ALL PART OF OUR EFFORTS TO MAKE ALL WE DO **SIMPLE, PERSONAL AND FAIR.**

## Creating value for our stakeholders

The sustainability policy defines and identifies key aspects of the Bank's relationships with its various stakeholders. The Rules and Regulations of the Board of Directors assign responsibility for overseeing and assessing processes involving stakeholders to the Risk Supervision, Regulation and Compliance Committee. The **General Code of Conduct and corporate behaviours** define and establish the basis for all actions to be applied by Bank personnel in their day-to-day activities, including those related to the Bank's stakeholders.

Santander has several channels that enable the Bank to understand and meet the expectations of its stakeholders. The Bank maintains an **on-going dialogue** with them, carrying out numerous studies and taking measurements to understand their expectations and needs and identify the opportunities to create value in the long term.

In 2017 the Bank carried out over 250,000 interviews worldwide among its main stakeholder: the general population (customers and non-customers), employees, shareholders and university students. These surveys are carried out on a regular basis so that we can listen to the opinions of these groups and measure their attitude towards the bank.

Santander also actively participated in 2017 in numerous local and international **conferences and task forces** to understand the various expectations of its stakeholders. Examples include:

**United Nations Environment Programme Finance Initiative (UNEP FI).** Along with 15 other financial institutions, Banco Santander has signed up for a pilot project run by the UNEP FI to implement some of the recommendations of the Task Force on Climate related Financial Disclosures (TCFD) from the Financial Stability Board (FSB).



**World Business Council for Sustainable Development (WBCSD).** Ana Botín, Group Executive Chairman of Banco Santander, is a member of the WBCSD executive committee. In addition, in 2017 Santander supported the organization of the last annual general meeting of the WBCSD, held in Mexico, and convened a meeting of CEOs in London to discuss the Better Business Better World report published by the United Nations Business and Sustainable Development Commission.

**Banking Environment Initiative (BEI).** Banco Santander, along with another 12 financial institutions and four innovation startups, formed part of the Fintech taskforce, an initiative created to analyse how financial technology, or fintech, can help tackle some of the most complex environmental and social challenges facing the world today. The group finally made 11 recommendations, supported by three practical cases.

**Equator Principles (EP).** In 2017 Banco Santander has joined the Working Group on Designated Countries created under the EP. The objective of this group is to review the distinction between "Designated Countries" (high-income OECD countries) and "Non-Designated Countries" within the scope of the EP and guarantee the application of a solid environmental and social risk evaluation framework in all countries in which the member financial institutions operate. In addition, the Group co-leads in the Capacity Building & Training Working Group.

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

Banco Santander conducts continuous monitoring of the international sustainability agenda. The Public Policy and Sustainability functions collaborate closely to participate in the consultation processes of authorities, sector associations and other organizations that impact the development of policies or relevant positions in the sustainable development agenda.



**MORE INFORMATION ABOUT SANTANDER'S STAKEHOLDER ENGAGEMENT AVAILABLE IN OUR CORPORATE WEBSITE.**

**INTERNATIONAL INITIATIVES**

**TO WHICH BANCO SANTANDER IS PARTY**

- World Business Council for Sustainable Development
- United National Global Compact
- Banking Environment Initiative
- UNEP Finance Initiative
- Principles for Responsible Investment
- The Wolfsberg Group
- CEO Partnership for Financial Inclusion
- Equator Principles
- Round table on responsible soy
- Working group on sustainable Livestock
- CDP (antes Carbon Disclosure Project)
- Climate Leadership Council

Through its business activity and community investment programs, contributes directly to the achievement of the United Nations Sustainable Development Goals. To do so, and in line with objective number 17 (partnership for the goals), Santander maintains strategic alliances with numerous organizations and institutions and participates in multiple national and international initiatives, as we believe the only way to deliver sustainable development is by working together.

**MAIN SDGS**

**WHERE BANCO SANTANDER'S BUSINESS ACTIVITIES AND COMMUNITY INVESTMENTS HAVE THE MOST WEIGHT**

**Key dialogue channels for stakeholders**

Stakeholders	Main dialogue channels	Performance figures
<p><b>Employees</b></p>	Global Engagement Survey	84% participation. 77% of employees committed to the Bank
	Motivation and work-life balance	92% of employees are familiar with the Bank's Simple, Personal and Fair culture
	Whistleblowing channels	1,298 complaints received
<p><b>Customers</b></p>	Commercial channels	286 branches were renovated in 2017 to improve customer service
	Satisfaction surveys	88% satisfaction among active retail and commercial customers
	Complaints management	57% of claims received are resolved in under 10 days
<p><b>Shareholders</b></p>	Group Strategy Update	Over 260 analysts and investors attended
	Shareholder services	178,353 queries managed through remote channels
	Forums and meetings with shareholders	241 events held
<p><b>Communities</b></p>	Collaborations with NGOs, universities and other institutions	1,295 agreements with universities and academic institutions. 8,731 partnerships with NGOs and social institutions
	Social networks	195 profiles with 13,994,185 followers

## Materiality study

Banco Santander regularly analyses the social, environmental and ethical behavior issues that are most relevant to its stakeholders throughout its value chain.

This systematic analysis (including the dialogue with our stakeholders) is key to establish the Bank's main lines of action regarding sustainability while we are aligned with the best practices and reference standards.

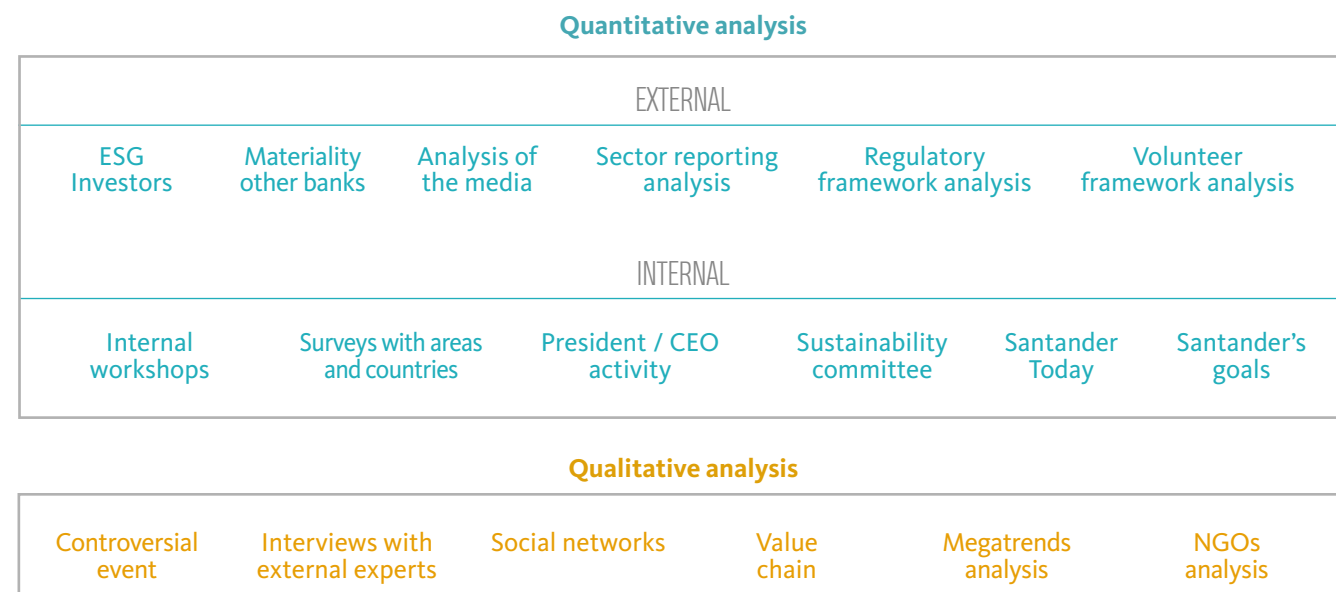
In 2017, Banco Santander explored new and more sophisticated ways of analysing data in order to determine the most important issues for its business. The use of new technologies enables the Bank to analyse large volumes of qualitative information regarding sustainability.

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

- Evaluation surveys to corporate areas and sustainability teams in the different local units.
- Analysis of global trends and main financial-sector challenges.
- New interviews with sustainability experts in the financial sector both in the public and private domain.
- Internal workshop with different areas from the Bank.

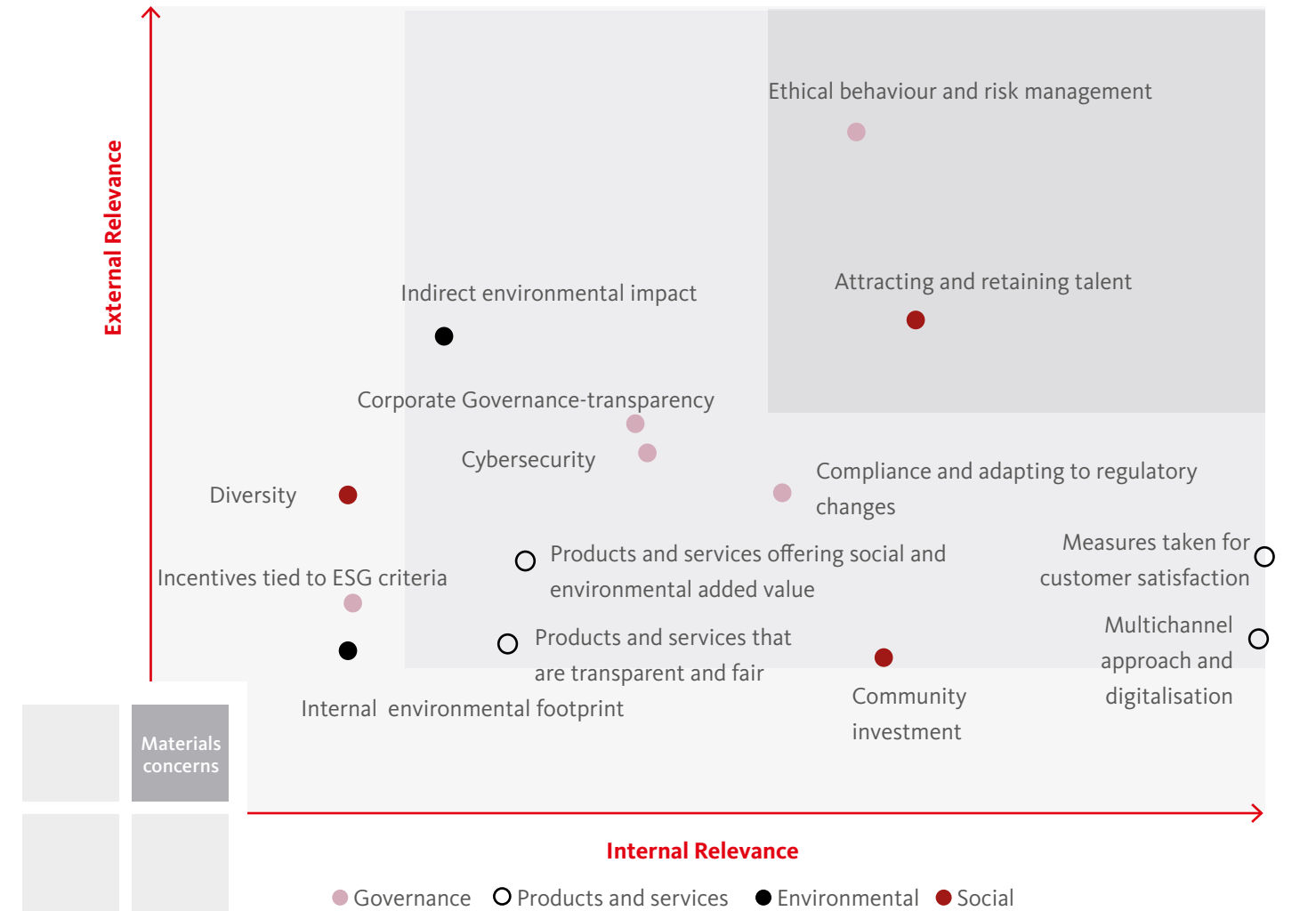
The scope of some of the analysed issues was also expanded, such as the environmental, social and governance (ESG) investors analysis (roadshows' feedbacks) or the analysis of potential controversies (including new sources and references) and the deeper materiality studies from other banks.

### Process of identifying material concerns



## Matrix for identifying material concerns

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



Our quantitative and qualitative analysis have enabled us to group stakeholders' concerns, and the challenges and opportunities we face, into four key categories:





# The world today: challenges and opportunities

As one of the largest banks in the world, Santander has a responsibility to the over 200,000 people who work with us; to the 133 million customers; to the millions of people who invest in us; and to the millions of people who live in the local communities where we operate. We need to be responsible in **how we do business**, and in **how we fulfil our purpose** – to help people and businesses prosper. We will do this by addressing four global challenges.

## HOW WE DO BUSINESS

Everything we do should uphold the highest standards of ethics and conduct...



### ETHICS AND CONDUCT

- The financial crash and globalization has increased the debate about the role of business in society. Employees, customers, shareholders and citizens expect companies to **act responsibly** in their day-to-day operations. By doing so, companies create long term value in their daily business.
- **Ethical behaviour** must underpin every company's culture and be enforced by its governance. Businesses must comply with both the letter and the spirit of the law and regulations. Risk must be managed prudently and effectively. Codes of conduct and policies should clearly state what behaviour is accepted and what is not. An individual's performance should be assessed on what is achieved, and how it is achieved.
- Successful businesses need motivated teams. A responsible business **attracts the best talent** - people who want to work for a company with a strong sense of purpose, and strong values, as this is a means of fulfilling their individual aspirations to help society prosper.
- The growth of responsible investment means shareholders expect to know more about how companies operate. So a responsible business, protect its clients and is **transparent** in how it operates and in its relationship with stakeholders - informing and explaining decisions actions and performance of the company.

...while we innovate to embrace the digital revolution, making the best use of the latest technology...



### DIGITAL REVOLUTION

- The **digital transformation** poses new strategic challenges to companies, which must adapt their business model to take advantage of opportunities and minimize risks.
- Every business must ensure its organization and team are equipped for the digital era. This requires **investment in technology**, as well as training people to work in a more agile, collaborative way.
- The digital revolution is changing how customers behave, creating new channels and demanding new products and services. **Innovation** is critical
- Customers expect more of businesses than ever before. Companies must respond by analysing big data, so they can offer a **personal service** to their customers.
- **Cyber security** poses a significant risk. Customers expect that their data is held securely and handled ethically.



## HOW WE FULFIL OUR PURPOSE

...which enables us to serve customers in new ways, helping to generate inclusive growth...



### INCLUSIVE GROWTH

- Although many millions of people have been lifted out of poverty over recent decades, social and economic inequalities remain. We need **inclusive growth so more people can share the benefits of prosperity**. To achieve this, companies need to ensure that their business models help to address the economic and social challenges we face.
- **Creation of good jobs** for the entire working-age population, especially the most disadvantaged, contributes to reducing poverty and inequality. 600 million jobs need to be created by 2030 if the global workforce is to keep pace with population growth.
- **Financial inclusion** is also key to reducing poverty and increasing prosperity of low-income and hard-to-access communities. Two billion people are unbanked in the world. Bringing them into the financial system, helps to strengthen the economic fabric, empowers women and can contribute to sustainable consumption.
- In a digital age, people of all ages need to learn new skills and expertise. **So investing in education and improving mobility and connectivity** are key to achieving inclusive growth.

...while supporting sustainable growth in local communities and economies.



### SUSTAINABLE GROWTH

- Sustainable growth **meets the needs of the present without compromising the ability of future generations to meet their own**, guaranteeing the balance between economic growth, social welfare and the environment.
- **Climate change, combined with population growth, are two of the main challenges facing society**. Technological changes, innovation and changes in consumption patterns are essential if we are to grow in a sustainable way. Stakeholders expect business to play its part.
- Many of the challenges we face today can only be resolved by promoting sustainable growth and establishing a **global commitment** where all social actors, including companies, are engaged.
- The financial sector must **integrate the risks and opportunities of climate change** in its activity to achieve the Paris Agreement objectives and achieve an orderly transition to a low carbon economy.
- **Improvements in production capacities, sustainable consumption and responsible production guidelines** contribute to human development and reduce poverty and inequality.

# Corporate governance and sustainability management

A solid corporate governance structure guarantees a model aligned with the interests of our stakeholders, ensuring sustainable long-term value creation.

**"WE CREATE VALUE FOR ALL** BY CARRYING OUT OUR BUSINESS PROPERLY, ETHICALLY AND RESPONSIBLY AND WITH A LONG TERM VISION"

**BRUCE CARNEGIE-BROWN**  
VICE CHAIRMAN AND LEAD INDEPENDENT DIRECTOR



IN THE VANGUARD OF

BEST INTERNATIONAL PRACTICES



SANTANDER HAS BEEN LISTED ON THE FTSE4GOOD AND DJSI INDICES SINCE 2003 AND 2000, RESPECTIVELY



NUMBER ONE IN THE BLOOMBERG GENDER-EQUALITY INDEX FOR DIVERSITY



**36%** of directors ARE WOMEN



FOR MORE INFORMATION ON CORPORATE GOVERNANCE, SEE PAGES 70 TO 108 OF BANCO SANTANDER'S 2017 ANNUAL REPORT.



## Board of directors

In keeping with the Bank's purpose and vision, and in the framework of its general supervisory function, the board of directors of Santander is the Group's top decision making body, except for matters reserved for the general shareholders' meeting. Within the framework of its general supervisory function, the board has the final word on decisions concerning the Group's strategy and main policies, corporate culture, the Group's organisational structure, and the approval of appropriate social responsibility and corporate governance policies.

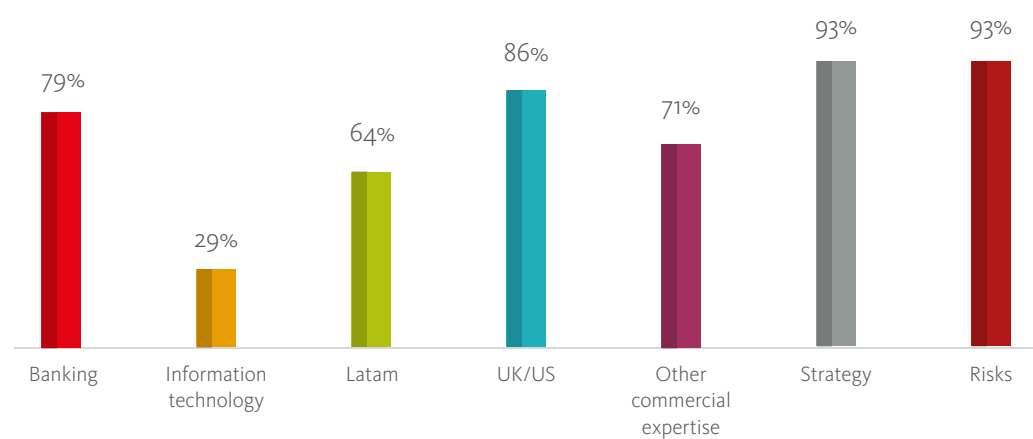
The board also approves and monitors the risk framework and appetite, and ensures that the three lines of defence model (business and risk origination; risk control and compliance; and internal audit). The board of directors is also responsible for ensuring that the Group complies with the relevant legislation, respects best practice in the sectors and countries in which it operates, and observes the principles of social responsibility to which it has voluntarily subscribed.

Banco Santander's board of directors is a **well-balanced mix** of executive and non-executive directors. This year the board's diversity has been strengthened, giving it a more international and technological profile and increasing the number of female directors.

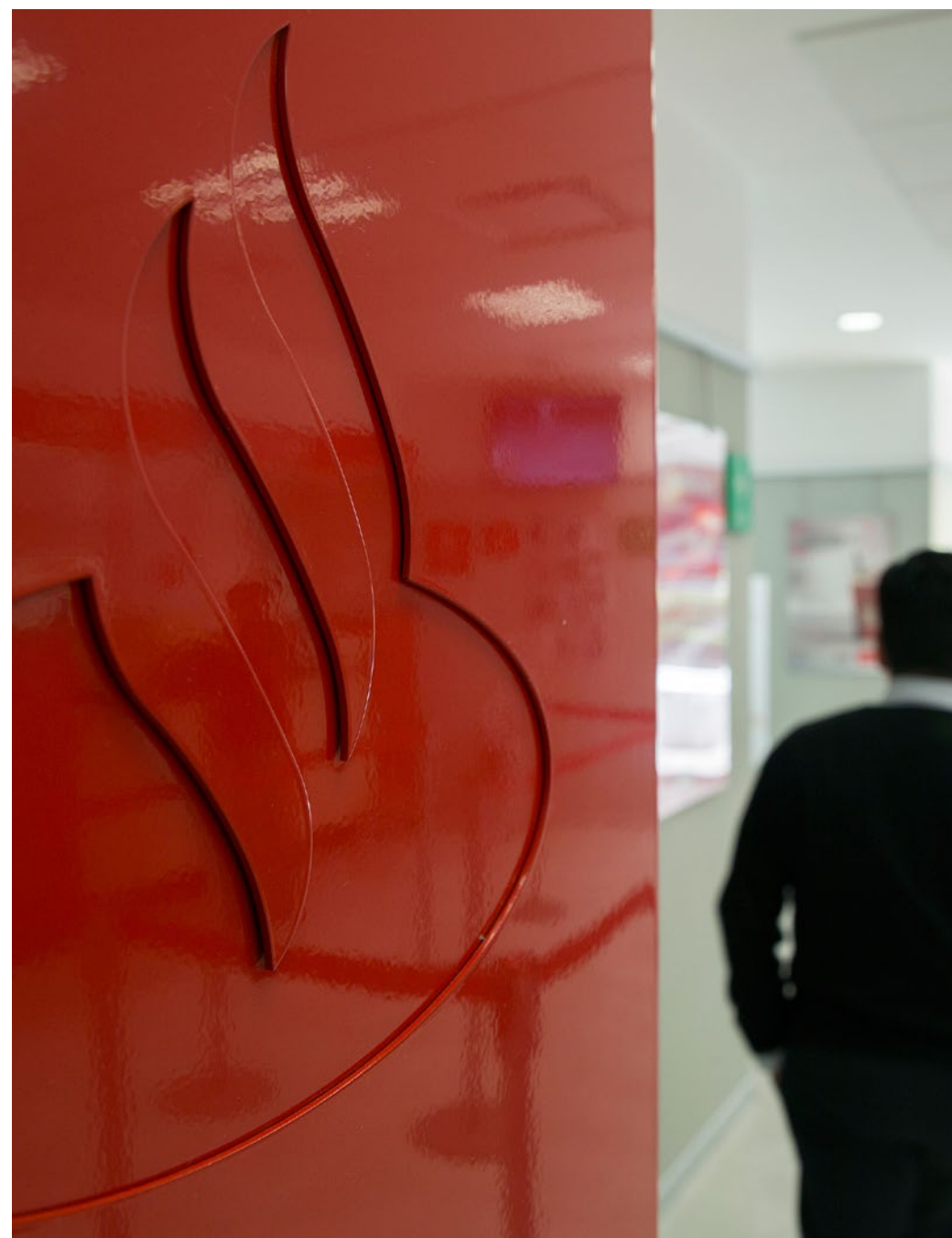
The **annual self-assessments** carried out by the board of directors and its committees ensure continual improvement in the quality and efficiency of their functioning and composition.

The board's various checks and balances include the position of **lead director**, who coordinates the non-executive directors and chairs, among others, the Risk Supervision, Regulation and Compliance Committee. Their functions include periodically assessing the corporate governance system as well as reviewing and monitoring the sustainability policies and evaluating the degree of compliance with these.

### Board members with relevant expertise (%)



### INTERNATIONAL EXPERIENCE



## Sustainability management

Banco Santander's commitment to sustainability means ensuring that its **ethical, social and environmental criteria are integrated** into the Bank's strategy, business model and internal policies and procedures, embedded in all areas across the Bank. Each unit has a defined sustainability governance structure.

In accordance with the Rules and Regulations of the board of directors, the board approves the Group's general policies and strategies, including those relating to sustainability. It may not delegate this function. It also approves the sustainability report.

The board of directors in its meeting of 13 February 2018, amend its rules and regulations in order to, among others, regulate a dedicated **responsible banking, sustainability and culture committee**.

The Executive Committee is also regularly provided with reports on progress in sustainability. Banco Santander also has a **Sustainability Committee** that meets at least once a year and proposes, coordinates and promotes the Bank's main sustainability initiatives.

At the last meeting, the following initiatives, among others, were proposed:

- To increase the frequency of this committee's meetings (at least twice a year).
- To move forward with **managing diversity**.
- To strengthen the analysis of exposure to **climate change** to respond to new international reporting recommendations, such as those from the Task Force on Climate- Related Financial Disclosures (TCFD).

In 2017, the Senior Advisor on Responsible Business Practices position was created, to drive the responsible and sustainable business practices, reporting directly to the Executive Chairman.

## Sustainability policies

Banco Santander has several policies, codes and internal procedures regarding sustainability. These policies are reviewed on an annual basis by the board of directors. In 2017, **the board updated the general sustainability policy**, which includes the Bank's commitment to financial education and to the consumer protection principles. **The climate change policy was also updated** in order to meet the new ISO14001:2015 requirements. This policy includes information about the working groups for social, environmental and reputational risk and the Climate Finance Task Force. Moreover, the climate change policy's name was changed to Environmental Management and Climate Change policy.

Similarly, 2017 saw the approval of Grupo Santander policies revised for the defence, energy and soft commodities sectors. The changes incorporated after the annual review refer to actions that were already being carried out and are minor in nature. A summary of this policies have been made public at the website for the first time.

Also in 2017, the Bank developed a new mining and metal industries policy.





**Sustainability policies**

- General sustainability policy
- Sector policies (energy, defence, soft commodities and mining and metals industries)
- Climate change and environmental management policy
- Human rights policy
- Volunteering policy

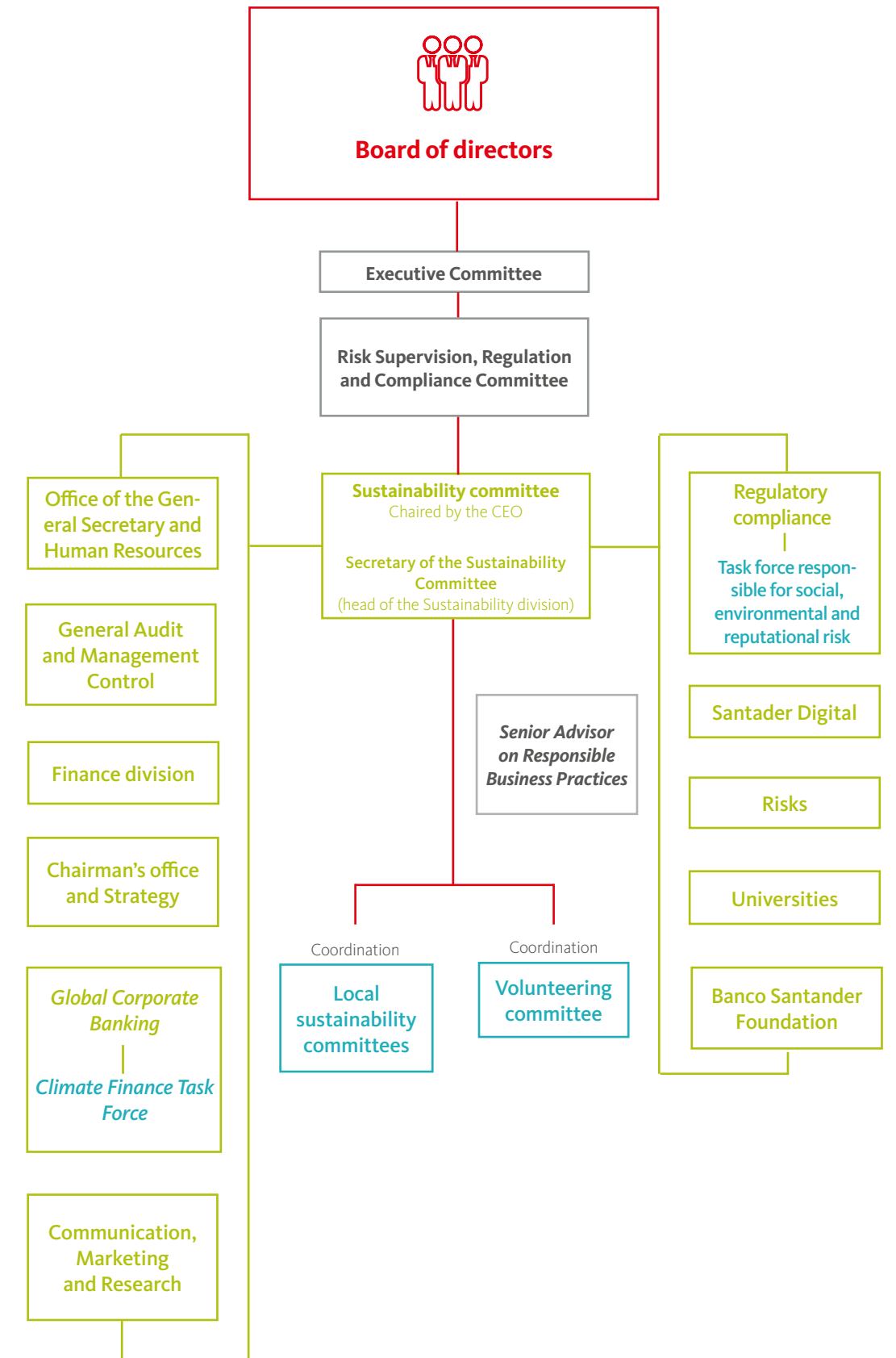


**Other relevant policies**

- Policy for funding political parties
- Policy on conflicts of interest
- Policies in other sensitive sectors



MORE INFORMATION ABOUT GROUP'S SUSTAINABILITY POLICIES [HERE](#)





# Risk management model

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

**Risk management** is therefore one of the key functions in ensuring that Santander remains a robust, safe and sustainable bank. It guarantees that management is aligned with the interests of our employees, customers, shareholders and society.

The board of directors is responsible for the **risk control and management**, and, in particular, for setting the **risk appetite** for Grupo Santander (see the Risk Management Report in the Annual Report).

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

Of particular interest in the area of sustainability are risks related to compliance, conduct, digitalisation and climate change, as well as the analysis of social, environmental and reputational risks.

## The three lines of defence

- 1<sup>ST</sup>** Business and support units
- 2<sup>ND</sup>** Risk management and compliance
- 3<sup>RD</sup>** Internal audit



## Code of Conduct

Ethics is an integral part of Banco Santander's culture and values, as reflected in corporate behaviours and in the code of conduct. **The General Code of Conduct** is applicable to all the professionals of the Group and is available on the corporate website. In general, the whistleblowing channels are managed by the compliance and conduct function, ensure confidentiality and don't allow for retaliation against whistleblowers.

The complaints received and managed in the Group's **whistleblowing channels** are reported to their respective governing bodies. During 2017, the compliance and conduct function has reported twice about the general situation of the whistleblowing channels to the audit commission of the Bank.

## MAIN BUSINESS INDICATORS ON THE PREVENTION OF MONEY LAUNDERING IN 2017

 **167** SUBSIDIARIES REVIEWED\*

 **152,253** investigations

 **41,204** disclosures TO AUTHORITIES

 **166,322** people TRAINED

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



FOR MORE CONSULT THE RISK MANAGEMENT REPORT IN BANCO SANTANDER'S 2017 ANNUAL REPORT [HERE](#).

## Anti-corruption policy

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

## Prevention of money laundering and financing of terrorism

Santander has a robust system to prevent money laundering and the financing of terrorism. The system is kept constantly under review, to ensure it not only fulfils the latest international regulations but can identify and tackle the latest techniques used by criminals. There is a mandatory course for all employees.

## Products and services commercialisation and consumer protection

The Group framework for marketing of products and services and consumer protection was updated during 2017. It defines the basic principles to mitigate the risks arising from inappropriate practices, the Bank's dealings with customers, the products it offers and their suitability for each customer, covering all marketing and distribution phases (design, sale and post-sale). In 2017, policies that develops the principles of the framework were approved and which must be applied in the Group's subsidiaries.

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



## Cyber risk and data protection

With **digital transformation**, cyber-attacks have become one of the main risks worldwide and not only for the financial sector. In addition to the threat to systems and operations, the Bank's internal and customer information can also come under threat.

We are constantly reviewing how we protect ourselves from cyber attack and to safeguard the data we hold, basing our approach on international best practice and standards.

During 2017, the Bank strengthened its internal governance through the new cybersecurity framework approved by the board. The Bank has fostered, among other measures, awareness and training on cybersecurity and data protection. These include campaigns about phishing in 2017 for all employees to reinforce their ability to identify and report this type of incident, as well as the launch of a series of training initiatives such as compulsory e-learning courses.

## Tax strategy

The tax strategy incorporated into the corporate fiscal policy approved by the board of directors, reflects the following action principles and common guidelines for action regarding tax:

- Meeting its legally required tax obligations, reasonably interpreting in all cases the applicable regulations in line with the spirit and purpose of the latter.
- Ensure **transparency** and avoid the use of opaque structures for tax purposes.
- Not providing advisory or tax planning services of any natures to customers when marketing and **selling financial products and services**.



Grupo Santander's main subsidiaries have also approved their own internal regulations in line with this policy.

The fiscal risk management and control system in the different entities must comply with the principles established in this policy, necessarily resting on the Group's internal control model, as well as on the evaluation and certification processes of the controls it incorporates.

The aim is to adopt the best practices that allow for the prevention and reduction of fiscal and reputational risks. (The fiscal strategy is available on the corporate website).

## Social, environmental and reputational risks

Analysis and decision-making in loan approvals take into account the implementation of sustainability policies, in addition to the application of the Equator Principles.

## Climate change risk

The Bank, through the internal task force on climate finance, works to successfully tackle the challenges and opportunities arising from **climate change**, increasingly important in all sectors, and in 2017 it has supported international initiatives in this area (for more information see the Environment and Climate Change chapter and the Risk Management Report in the Annual Report).



## FINANCIAL STABILITY BOARD & CLIMATE CHANGE

THE MANDATE OF THE FINANCIAL STABILITY BOARD (FSB) IS TO ENSURE THAT THE FINANCIAL SYSTEM CAN WITHSTAND TO ALL TYPES OF RISK, INCLUDING THOSE ARISING FROM CLIMATE CHANGE.

IN 2015 IT PROMOTED THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) AND IN JUNE 2017, IT ISSUED ITS RECOMMENDATIONS FOR THE DISCLOSURE OF FINANCIAL INFORMATION IN SUCH A WAY AS TO **PRESENT MOST EFFICIENTLY THE RISKS RELATING TO CLIMATE CHANGE**.

**BANCO SANTANDER HAS JOINED A PILOT PROJECT LED BY UNEP FI, TOGETHER WITH ANOTHER 15 ENTITIES, TO IMPLEMENT SOME OF THE RECOMMENDATIONS OF THE TCFD.**



Simple | Personal | Fair



**77%** of employees are engaged



**24.4 (+21%)** million  
DIGITAL CUSTOMERS



**81%** employees  
BELIEVE THAT THEIR COLLEAGUES BEHAVE IN WAYS  
THAT ARE MORE SIMPLE, PERSONAL AND FAIR



**17.3 (+13%)** million  
LOYAL CUSTOMERS

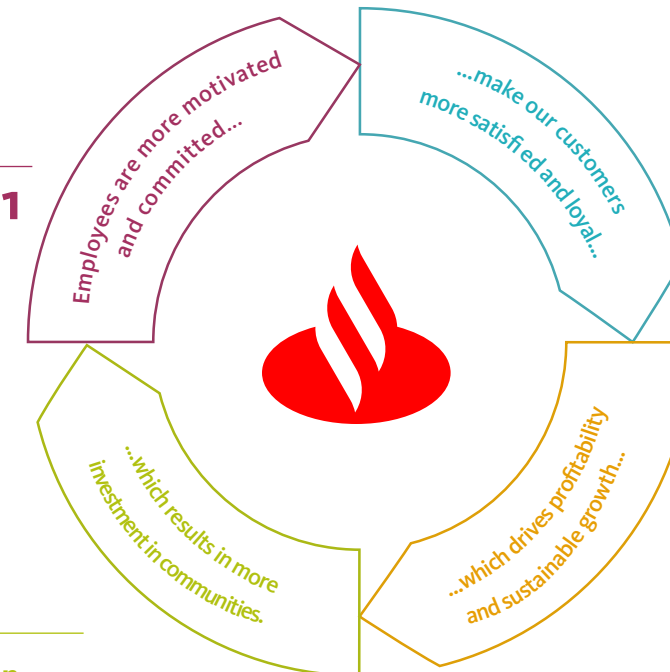
# Commitments to our stakeholders

Strengthening the relationships with our stakeholders is key to improving our performance. Our aim as a bank is clear: we want to be the best retail and commercial bank, by earning the trust and loyalty of our employees, customers, shareholders and society:

- We want to attract and retain the best professionals.
- Build long-term trustable relationships with our customers.
- Offer an attractive and sustainable dividend and return to our shareholders.
- Contribute to the social and economic progress of the communities in which we operate.
- Maintain lasting relationships with our suppliers.



PEOPLE  
**202,251**



CUSTOMERS  
**133 million**



COMMUNITIES  
**2.1 million**  
PEOPLE HELPED IN 2017



SHAREHOLDERS  
**4 million**



**44,862** scholarships granted  
IN 2017



**16.6%** total shareholder  
RETURN



**1,295** agreements with  
UNIVERSITIES AND ACADEMIC INSTITUTIONS IN  
**21 COUNTRIES**



**+11%** cash dividend  
PER SHARE GROWTH

Figures excluding Banco Popular, except number of employees and shareholders.

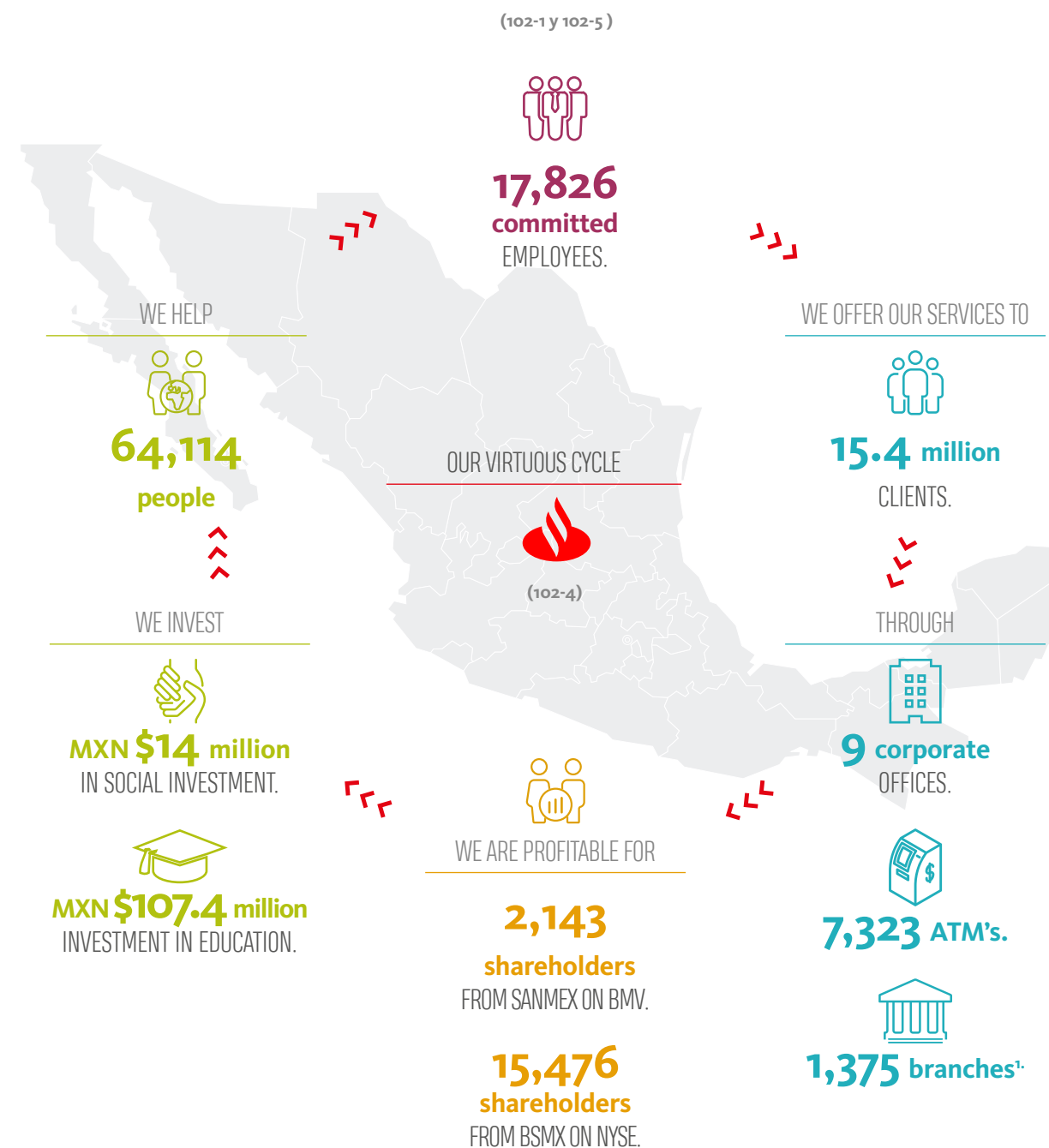


Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander Mexico ("BSMX"), as the successor of Grupo Financiero Santander Mexico, S.A.B de C.V. ("Sanmex"), has presented this report, the scope of which focuses exclusively on the activities of Grupo Financiero Santander Mexico, S.A.B. de C.V., the legal entity that existed until the end of 2017.

# Santander, a responsible and sustainable bank

## Relevant figures 2017 Grupo Financiero Santander México S.A.B. de C.V. (102-1, 102-2, 102-3, 102-5, 102-6, 102-7)

This material references Disclosures 102-1, 102-2, 102-3, 102-5, 102-6 and 102-7 from GRI 102: General Disclosures 2016.









<sup>1</sup> Branches, Counters and SME Centers.



This material references Disclosures 102-2, 102-3, 102-4, 102-6 and 102-7 from GRI 102: General Disclosures 2016.

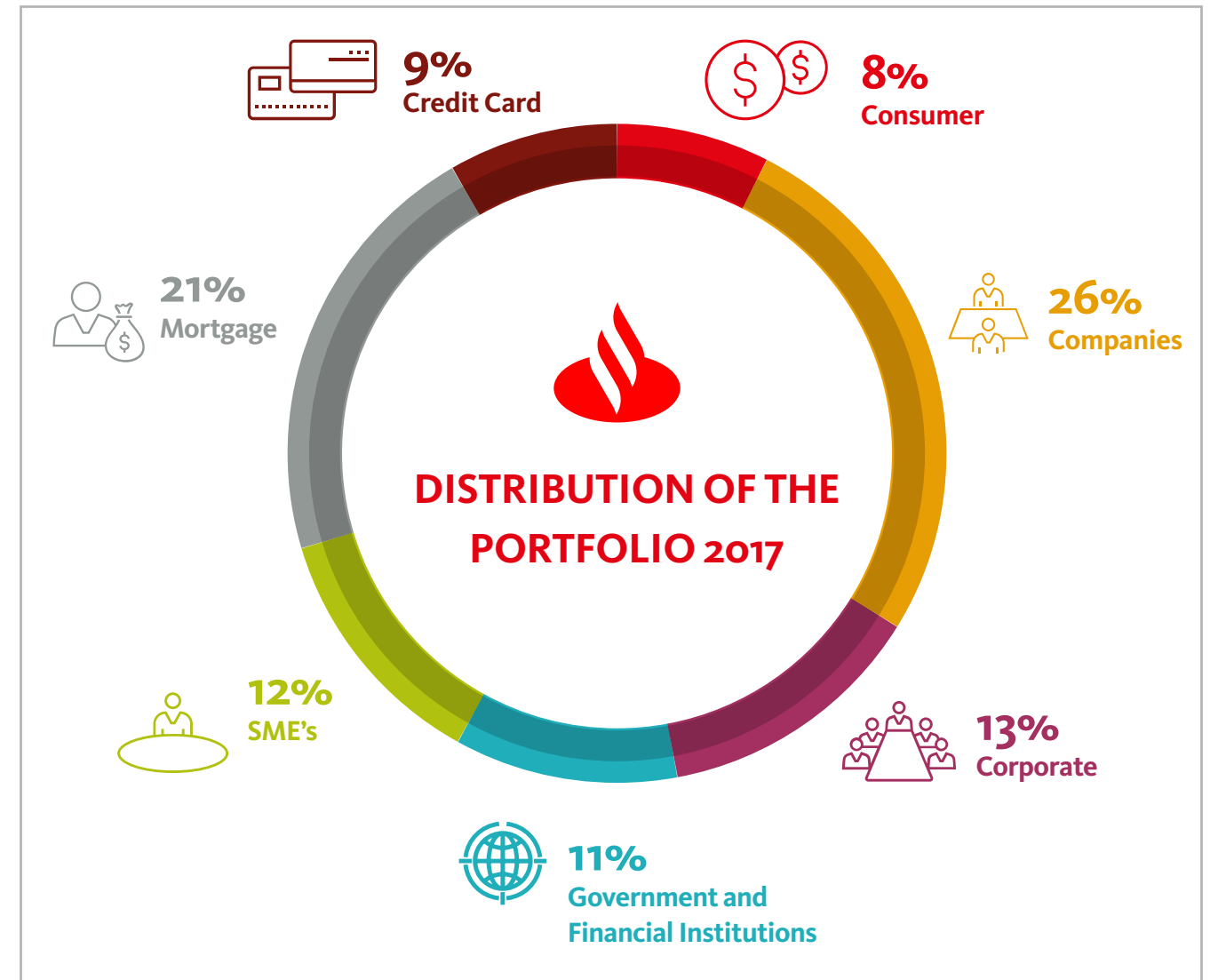
At Santander<sup>2</sup> we are committed to driving progress in Mexico, helping people and companies in the country to grow. This is the reason why we have 15,450,216 customers, 1,375 branches, 7,323 ATM's, 17,826 employees and 17,619 shareholders on the New York Exchange and Bolsa Mexicana de Valores. We are a subsidiary of Banco Santander in Spain.

We offer financial products and services to individuals, companies and governments throughout Mexico. Our market encompasses industry, agriculture, trade and services, among other sectors. Our major product and services categories, in addition to our portfolio distribution to the end of 2017, are shown below:

Division	Line of business
 <b>Individual Credit</b>	SME's
	Short-Term Credit
	Long-Term Credit (Mortgages)
 <b>Vehicle</b>	Vehicle Credit
 <b>Assets</b>	Insurance
	Investment Fund (FFII)
	Fixed Investment (Deposits)
 <b>Transactional Products and Retention</b>	Credit Cards
	Debit Cards
	Direct Debit
	Vista Investment
 <b>Trusts</b>	Trust Businesses
 <b>Commercial Strategy</b>	Santander Plus

<sup>2</sup> Headquarters: Avenida Prolongación Paseo de la Reforma 500, Colonia Lomas de Santa Fe, Delegación Álvaro Obregón, C.P. 01219, Mexico City. Floor 2, Office module 6. The Global Headquarters are located in Madrid, Spain.

<sup>3</sup> All significant operations, investments, recruitment and relevant information contained in this report refers to Mexico as a region. Santander's global operations are outlined in the Spain Report and in this Report (page 6).



CONSULT ALL THE PRODUCTS AND SERVICES WE CAN OFFER YOU [HERE](#)

# Letter from the Chairman of the Board

**Marcos Martínez Gavica** (102-14, 102-15)

This material references Disclosures 102-14 and 102-15 from GRI 102: General Disclosures 2016.

At Santander, our goal is to be the best commercial bank in Mexico, and, in order to achieve this, we must ensure that our customers, employees, shareholders and the society we serve trust us completely by acting responsibly in our role as stakeholders committed to ensuring the sustainability of the communities in which we live and work.

This material references Disclosures 102-14 and 102-15 from GRI 102: General Disclosures 2016.

With this goal in mind, at Santander we share the call by the United Nations to “adopt measures that bring an end to poverty, protect the planet and ensure that everyone has the opportunity to live in peace and prosperity”, known as the Sustainable Development Goals (SDG), and we are taking the steps necessary to help achieve these SDG.

Sustainability is the future of both society and the environment. Fully aware of this, we are aligning all our activities to help contribute to achieving the SDG in our areas of influence, helping make Mexico a better country. This is how we help society overcome the global challenges that affect us all, contributing to the creation of a virtuous cycle, the goal of which is, to put it simply, “doing good”, as our President, Ana Botín, has stated, through our participation in a range of programs and campaigns.

As such, by remaining faithful to our mission of contributing to the progress of people and companies, we have implemented a robust corporate governance model that strives to ensure the sustainability of the Institution and its activities.

As a clear example of our commitment, for the fifth consecutive year, Santander Mexico has been included in the BMV’s Sustainability Index (IPC). Starting with the Board of Directors and its committees, we focus on helping the management team create value, based on strict ethical parameters, adequate risk management, and an ambitious strategic vision, all of which are underpinned by a deep-rooted commitment to sustainability and the model that governs all of us who work at Santander.

We will continue to support more and more Mexicans, helping them make their dreams a reality, while focusing on our environment and future generations, fully aware of the impact of what we do today has on tomorrow.



Marcos Martínez Gavica  
Chairman of the Board



# Letter from the Executive President and CEO of Grupo Financiero Santander Mexico

**Héctor Grisi** (102-14 – 102-15)

This material references Disclosures 102-14 and 102-15 from GRI 102: General Disclosures 2016.

**Santander's firm and long-term commitment to its stakeholders in Mexico to help drive their progress and development is the basis for our business strategy and our day-to-day operations.**



This material references Disclosures 102-14 and 102-15 from GRI 102: General Disclosures 2016.

We are fully aware of our obligations to our customers, our employees, our shareholders, our suppliers, the authorities, and, in general, to all our stakeholders. It is through our day-to-day activities that we embody these obligations and this commitment, which is why a fundamental part of our efforts lies in promoting the permanent transformation of our culture, which can be seen in our compliance with the highest level of ethical standards and a long-term vision of sustainability in everything we do.

During 2017, we continued to promote the well-being of people, companies and the local communities in which we operate, driving relationships of mutual growth.

We start at home, ensuring that our own employees have the tools they need to develop personally and professionally, helping them find a balance. We promote gender equality by supporting the growth of the women who work at the company and who make up 53% of our workforce.

We also help the community by supporting education, with a focus on higher education, as we are convinced that this is the best tool for creating a fairer and more prosperous society, not only in Mexico, but also around the world.

As a clear example of our commitment to higher education, in 2017, we authorized 6,574 scholarships and invested MXN \$107.4 million through our Santander Universities and Universia programs.

We are also continuing to support a range of social causes through programs with UNICEF, Casa de la Amistad, Béalos, Reforestamos México and Fundación Provivah. Through our network of ATM's, and in conjunction with our sustainable partners, we have successfully helped 29,199 people. We will redouble our efforts, alongside our partners, to help more people through these campaigns in the future.

In 2017, as a result of the natural disasters that hit the country, we implemented specific campaigns to help those affected. Thanks to the generosity of our customers, and the bank's contributions, we raised MXN \$28.8 million those in need, in addition to MXN \$4.8 million for our employees who were affected by these events.

Our Trust for the Children of Mexico continues to work tirelessly to help the most vulnerable children in the country, in addition to those organizations that support them. This year, we helped 71 organizations, raising a total of MXN \$8.2 million to benefit some 27,210 young people. Thanks to the commitment of everyone at Santander Mexico and Trust for the Children of Mexico, we can give a little back to the communities we operate in.

As part of our efforts to help drive the progress of people and companies, this year we launched Tuiio, a financial inclusion campaign aimed at segments that are not normally covered by the banking sector. Furthermore, in order to ensure our loans have no negative impacts on society and the environment, we evaluate all relevant financial projects (in excess of USD \$10 million) based on the Equator Principles.

Finally, when we talk about doing the right thing, one fundamental area is protecting the environment through responsible operations. This year, 82% of the paper we used came from sustainable forests, and we redoubled our efforts to measure and control consumption and emissions within our organization.

We are fully aware of the challenges and opportunities that lie ahead of us. At Santander Mexico, we will continue investing, working and driving innovation every single day to position ourselves as a sustainable institution and contribute to the progress of Mexico and its people.

**Héctor Grisi Checa**  
Executive President and  
CEO of Grupo Financiero Santander Mexico

EVERY YEAR, WE CONTRIBUTE TO ECONOMIC, SOCIAL, ENVIRONMENTAL AND ETHICAL DEVELOPMENT IN MEXICO.













## SOCIAL SUSTAINABILITY

	2016	2017	% Variation 2016-2017
<b>SANTANDER UNIVERSITIES</b>			
 <b>Number of Santander Universities scholarships</b>	4,495	6,574	46%
 <b>Number of Santander Business Innovation Award Projects</b>	1,066	1,119	5%
<b>UNIVERSIA</b>			
 <b>Number of Jobs brokered through Job exchange</b>	35,186	39,256	12%
<b>TRUST FOR THE CHILDREN OF MEXICO</b>			
 <b>Number of children benefitted</b>	25,463	27,210	7%
 <b>Number of organizations supported</b>	65	71	9%
 <b>Financing for approved projects (MXN)</b>	\$8,178,500	\$8,217,000	0.5%
<b>SUSTAINABLE PARTNERS</b>			
 <b>Total funds raised from ATM's for social causes (MXN)</b>	\$22,000,146	\$23,255,939	6%

This material references Disclosures 102-7 and 102-48 from GRI 102: General Disclosures 2016; and Disclosures 201-1 from GRI 201: Economic Performance 2016.










## ECONOMIC SUSTAINABILITY (102-7, 102-48 y 201-1)


	2016	2017	% Variation 2016-2017
 <b>Number of customers</b>	13,553,067	15,450,216	14%
 <b>Assets (billions of MXN)</b>	1,374.1	1,324.18	-3.6%
 <b>Taxes (millions of MXN)</b>	\$4,909	\$4,406	-10%
 <b>Acquisitions (millions of MXN)</b>	\$593,485	\$647,670	9.1%
 <b>Financing (millions of MXN)</b>	\$591,428	\$617,871	4.5%
 <b>Direct economic value generated (millions of MXN)</b>	\$97,397	\$119,921	23%
 <b>Direct economic value distributed (millions of MXN)</b>	\$83,601	\$92,811	11%
 <b>Direct economic value retained (millions of MXN)</b>	\$13,796	\$27,110	97%
 <b>Number of cases handled by Customer Ombudsman</b>	1,759	1,407	-20%
 <b>Number of cases handled by Employee Ombudsman</b>	311	364	17%





**ENVIRONMENTAL SUSTAINABILITY**

	National 2016	National 2017	% Variation 2016-2017	Headquarters 2016	Headquarters 2017	% Variation 2016-2017
<b>USE</b>						
 <b>Fuel (MJ) Diesel</b>	2,070,472	1,156,101	-44%	N/A	180,135	-
 <b>Electricity (kWh)</b>	149,309,559	148,656,503	-0.4%	7,582,800	7,475,700	-1.9%
 <b>Water (m³)</b>	475,160	476,746	0.3%	28,244	21,894	-22%
 <b>Paper (Kg)</b>	1,282,965	1,243,585	-3%	130,083	124,002	-10%






<b>MANAGEMENT</b>						
 <b>Paper and cardboard (Kg)</b>	127,817	157,078	22%	17,318	18,036	4%
 <b>Plastic (Kg)</b>	48,983	61,771	25%	6,645	7,090	7%
 <b>Glass (Kg)</b>	2,037	6,749	231%	276	776	181%

<b>GENERATION</b>						
 <b>Total GHG emissions tCO<sub>2</sub>e scope 1 and 2</b>	69,022	87,124	26%	3,682	4,554	23%

 <b>Total waste (Kg)</b>	178,837	222,599	26%	24,239	25,902	7%
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**ETHICS AND CORPORATE GOVERNANCE**

	2016	2017	% Variation 2016-2017
 <b>% of independent Board Members</b>	47%	64%	17%
 <b>% of self-evaluations completed by Board Members</b>	Not completed	100%	-
 <b>% of employees trained in General Code of Conduct</b>	100%	100%	0%
 <b>% of employees trained in anti-corruption measures</b>	100%	100%	0%
 <b>Total training hours for Santander General Code of Conduct</b>	13,738	21,080	53%

<sup>1</sup>Gas of greenhouse effect

# Sustainability Management and Model in Mexico



This material references Disclosures 102-12 and 102-46 from GRI 102: General Disclosures 2016.

## PRINCIPLE OF CONTEXT OF SUSTAINABILITY

For Santander, being sustainable means taking into account the communities in which we operate, as well as the people and companies that form part of these communities, in order to drive continuous and profitable social progress at an economic, environmental and ethical level. This is why we invest in Mexico and promote long-term, trust-based relationships with our major stakeholders.

We are committed to integrating into our operations the criteria, policies and internal processes necessary to help guarantee ethical, social and environmental protections, both in terms of sustainability and the 2030 Agenda for Sustainable Development.

At Santander, sustainability is divided into four main areas, each of which is the basis for all our activities: Economic, Social, Environmental, and Corporate Governance.

Our activities are aligned with the Sustainable Development Goals (SDG), and our focus lies in contributing to the achievement of these goals, which are fundamentally important in creating a more sustainable world for everyone.

The new Agenda for Sustainable Development, alongside the SDG, came into force in September 2015, when more than 150 heads of state and government came together during the historic Sustainable Development Summit held at the United Nations' headquarters in New York. These new SDG are the descendants of the Millennium Development Goals (MDG), and they aim to build on the latter's success, in addition to achieving any targets that were not attained.

The 17 SDG are not a legal requirement, but they do represent an opportunity for countries and companies to create a new path to help drive the comprehensive development of society and people.



We are taking advantage of this opportunity and promoting measures that help eliminate poverty, combat climate change, promote education and gender equality, protect the environment, and ensure transparency in the global agenda.



This material references Disclosures 102-12 from GRI 102: General Disclosures 2016; and Policies with specific environmental and social components applied to business lines, FS1: Sector Supplement for Financial Services, GRI G4 2013; and Procedures for assessing and screening environmental and social risks in business lines, FS2: Sector Supplement for Financial Services, GRI G4 2013.

Below are the SDG that are related to the campaigns and programs that were implemented in 2017 to help drive well-being and sustainable development in Mexico, based on our four areas of actions.

## Sustainable Development Goals Santander Mexico



(102-12) For corporate alignment purposes, in Mexico, we have aligned ourselves with the ethical, social and environmental criteria employed by Santander Spain. These are:

### Policies

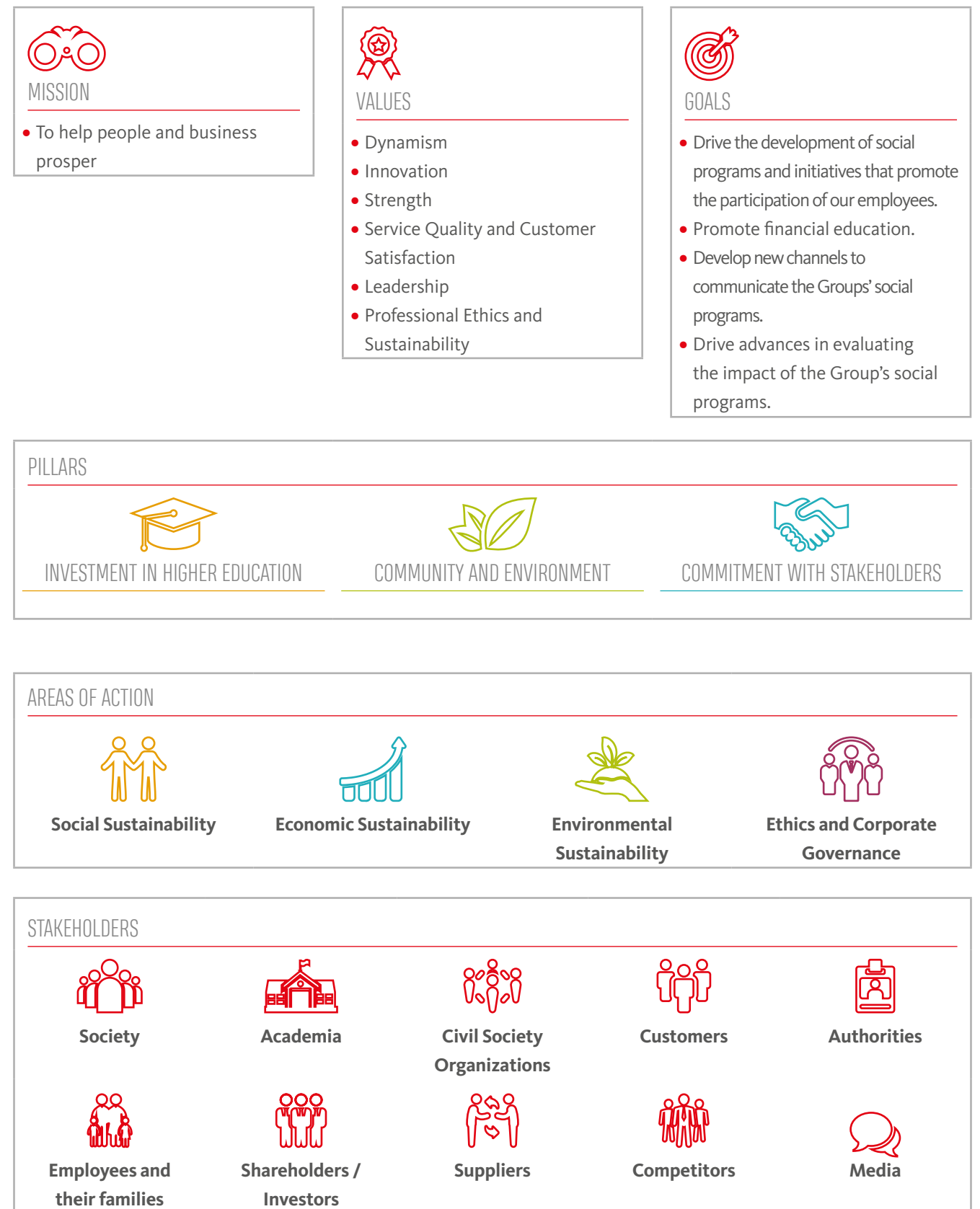
- [General Sustainability Policy](#)
- [\(FS1, FS2\)Sector Policies](#)
  - Defense Policy
  - Energy Policy
  - Soft Commodities Policy
- [Human Rights Polycys](#)
- [General Code of Conduct](#)
- [Stock Market Code of Conduct](#)
- [Environmental Management and Climate Change Policy](#)
- [Corporate Volunteering Policy](#)

### International Initiatives: :

- CEO Partnership for Financial Inclusion
- Working group on sustainable Livestock
- [Climate Leadership Council](#)
- [United Nations Global Compact](#)
- [UNEP Finance Initiative](#)
- [Equator Principles](#)
- [Principles for Responsible Investment](#)
- [Carbon Disclosure Project](#)
- [Banking Environment Initiative \(BEI\)](#)
- [Wolfsberg Group](#)
- [Round Table on Responsible Soy](#)
- [World Business Council for Sustainable Development](#)

FOR FURTHER INFORMATION ABOUT OUR POLICIES AND THE INTERNATIONAL INITIATIVES WE SUBSCRIBE TO [HERE](#).

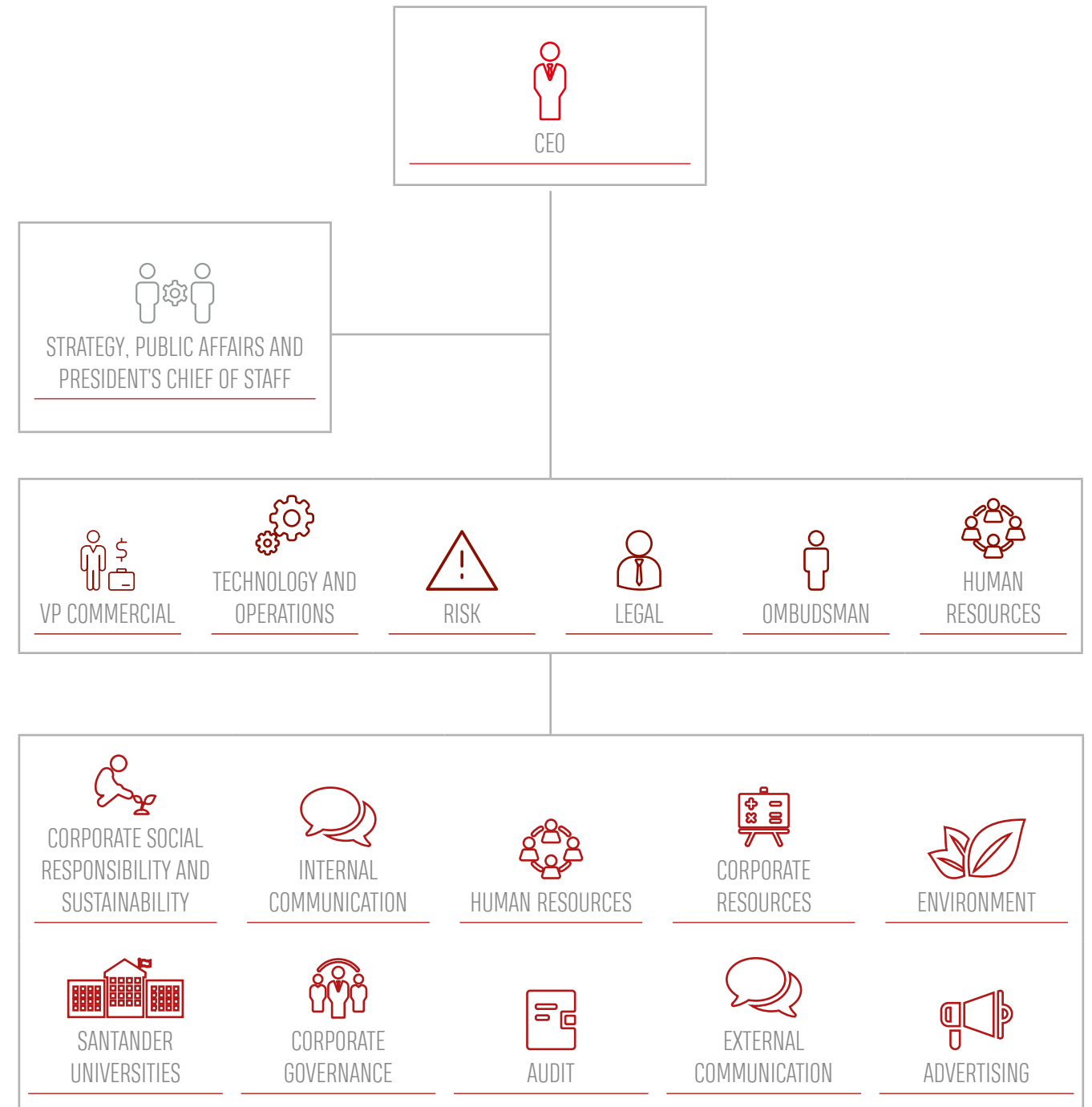
## Sustainability Model





In keeping with our goals, and to monitor and achieve our objectives, we have a Sustainability Committee in Mexico. Its main function is to approve the strategies and actions that form part of the Group's Sustainability Model, making them part of the organization's daily activities and corporate culture.

The sustainability structure and framework allow us to align the Group's work in Mexico with the sustainability-based policies and business strategy of Santander's global operations,







End global poverty in all its forms by 2030.



End hunger, achieve food security, improve nutrition, and promote sustainable agriculture.



Ensure healthy lives and promote well-being for all at all ages.



Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all.



Make cities and human settlements inclusive, safe, resilient and sustainable.



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation, and halt biodiversity loss.



# Social Sustainability

We support the people and local communities in the areas in which we operate, promoting well-being and mutual growth. Education has been our main ally in driving change and sustainable social development. This is why, in 2017, we invested MXN \$107.4 million in education through Santander Universities and Universia, as well as MXN \$12.9 million in social causes linked to our business and communities. Together, we have benefitted more than 64,000 people.

## SANTANDER UNIVERSITIES AND UNIVERSIA

 **6,574** scholarships granted

 **5,784** participants IN THE 12<sup>TH</sup> BUSINESS INNOVATION AWARD.

## TRUST FOR THE CHILDREN OF MEXICO

 **27,210** children BENEFITTED WITH EDUCATION, HEALTH AND NUTRITION.

## SUSTAINABLE PARTNERS

 **29,199** beneficiaries  
MXN \$23,255,939 RAISED BY CUSTOMERS AND MXN \$4,393,608 CONTRIBUTED BY THE BANK.

## HUMANITARIAN AID

 **MXN \$28.8** million raised THROUGH OUR AYUDA 100 ACCOUNT WHERE THE BANK CONTRIBUTED 1 MXN FOR EVERY MXN (1X1) COLLECTED BY OUR CUSTOMERS TO HELP THOSE AFFECTED BY THE NATURAL DISASTERS.

## VOLUNTEERING

 **21,839** volunteers AND 20,050 MAN-HOURS DONATED, BENEFITING 2,504 PEOPLE.



# Higher education

## Santander Universities and Universia

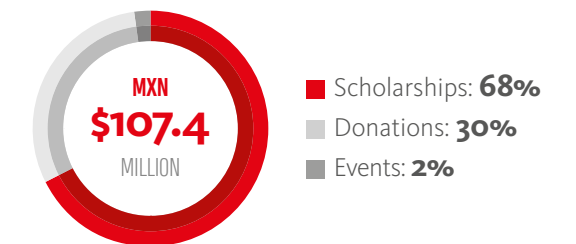
(102-6)  
This material references Disclosures 102-6 from GRI 102: General Disclosures 2016.

When people have access to quality education, they have the opportunity to escape the poverty cycle. By supporting higher education, we are helping to reduce inequality, promote gender equality and drive progress. This is why education is Santander's main social responsibility focus in Mexico and around the world.

Today, the consolidation of Santander Universities and Universia under the same institutional structure will help Santander to continue what it has achieved over the past 15 years: working with the most important higher education institutions in the country, offering a comprehensive portfolio of financial products and services and a philanthropy model to help drive the holistic development of universities and their communities.



Distribution of investment in education by Santander Universities (PAES)



SANTANDER BUSINESS INNOVATION AWARD

SANTANDER PROMOTES ENTREPRENEURSHIP AND THE INCORPORATION OF NEW TECHNOLOGIES IN EDUCATION, IN ADDITION TO THE CREATION OF GOODS AND SERVICES IN A CREATIVE, ETHICAL, RESPONSIBLE AND EFFECTIVE MANNER.

AS SUCH, IN 2017, IT LAUNCHED THE 12TH EDITION OF THE SANTANDER BUSINESS INNOVATION AWARD (PSIE), IN WHICH, AS IN PREVIOUS YEARS, COLLEGE STUDENTS TAKE PART IN TWO CATEGORIES: SOCIAL IMPACT AND BUSINESS INNOVATION. THREE FINALISTS WERE SELECTED PER CATEGORY, WITH THE FOLLOWING PRIZES BEING AWARDED: FIRST PLACE: MXN \$500,000; SECOND PLACE: MXN \$200,000; AND, THIRD PLACE: MXN \$100,000.

**THIS YEAR, 5,784 COLLEGE STUDENTS FROM AROUND THE COUNTRY TOOK PART IN THE AWARD, SUBMITTING 1,119 BUSINESS PROJECTS. TO DATE, 25,000 YOUNG PEOPLE HAVE TAKEN PART IN THE AWARD, PRESENTING MORE THAN 6,500 PROJECTS.**

**THROUGH THE SANTANDER BUSINESS INNOVATION AWARD, SANTANDER HAS AWARDED MORE THAN MXN \$19 MILLION IN PRIZES TO YOUNG ENTREPRENEURS.**

### Area of Action 1. College Entrepreneurship

A basic component of holistic academic development in Mexico and in every other country in Ibero-America where Santander operates through Universia and Santander Universities is the generation of projects or programs that drive innovation, internationalization, engagement and collaboration among universities, in addition to academic research, recognition and healthy leisure activities.

#### Santander Scholarships for High-Impact Entrepreneurs TREPCAMP

An intensive training program for entrepreneurs at major innovation centers in the USA, including Silicon Valley, New York, San Diego, Washington, Boston, Los Angeles, Seattle, Austin and Miami.

- 25 universities benefitted in the country.
- 723 attendees at face-to-face boot camps and 4,900 scholarships awarded between 2014 and 2017.



4 QUALITY EDUCATION

**Goal 4.b:** By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programs, in developed countries and other developing countries.



IMPACT 2017:

**INVESTMENT IN EDUCATION:  
MXN \$107.4 million:  
90% OF THE ANNUAL CSR BUDGET**



A one-of-a-kind area that specializes in supporting universities through a value proposal that includes scholarships, chairs, collaborative projects and the creation of financial products and services for universities and college students.



The largest university collaboration network in Ibero-America. It facilitates academic and community liason projects, as well as outreach programs in corresponding regions, helping to drive the internationalization and positioning of universities. Since its inception, it has received financial support from Banco Santander. On a global scale, **we work with more than 2,000 universities in 21 countries and we benefit around 20 million college students and faculty.**



## Area of Action 2: Educational Innovation

### Strategic International Partnerships:

Promote engagement between university presidents and academic directors in Mexico at high-level international events.



A DELEGATION OF **30 MEXICANS UNIVERSITY PRESIDENTS** ATTENDED THE COUNCIL FOR ADVANCEMENT AND SUPPORT OF EDUCATION (CASE) SUMMIT.



SINCE 2013, A DELEGATION OF **40 MEXICANS UNIVERSITY PRESIDENTS** HAVE ATTENDED THE ACE ANNUAL MEETING, THE LEADING ASSOCIATION OF UNIVERSITY PRESIDENTS IN THE USA.



SINCE 2015, A DELEGATION OF **20 PRESIDENTS FROM PRIVATE UNIVERSITIES IN MEXICO** HAVE ATTENDED THE ANNUAL MEETING OF THE COUNCIL OF INDEPENDENT COLLEGES (CIC).



## Area of Action 3: Mobility

**Santander Scholarships:** One of Santander's major commitments is to improve the quality of higher education in Mexico. To achieve this goal, we have created a number of academic mobility programs aimed at college students, helping to drive cooperation and integration among institutions of higher education. In a year-on-year comparison, in 2017 we granted 2,079 more scholarships, benefiting a total of 6,574 students through programs, including:

- Santander National Mobility Scholarships.
- Santander Ibero-America Undergraduate Scholarships.
- Santander Ibero-America Youth Scholarships.
- Scholarships for Faculty and Researchers.
- Santander National Mobility ECOES (Espacio Común de Educación Superior) Scholarships.
- Santander Ibero-American ECOES Scholarships.
- Santander FIMPES (Federación de Instituciones Mexicanas Particulares de Educación Superior) Research and Postgraduate Scholarships.
- **SEP (Secretaría de Educación Pública) - Bécalos Santander Program:** six-month exchange program for students from technological universities to community colleges in the USA.
- **Santander Scholarships - CONACYT - (Consejo Nacional de Ciencia y Tecnología) OEI (Organización de Estados Iberoamericanos):** Ph.D., Master's degree and specialization studies for students from OEI members states studying in Mexico.
- **Santander Top China Scholarships:** Summer programs at the Beijing Institute of Technology for undergraduate students.
- **Somos Santander Scholarships:** six-month international mobility scholarships for the children of Banco Santander employees.



**2,705 employment websites** WHERE WE PUBLISHED **2,664,082 JOB LISTINGS** IN 2017.



**39,256 jobs** BROKERED IN 2017.

## Area of Action 4: College Services (Employment, Training and Marketing)

Some of the academic programs supported and offered by Universia and Santander Universities can be found on REDIB (Red Iberoamericana de Innovación y Conocimiento Científico), a digital platform for scientific and academic content produced in Ibero-America or relating to the region in a wide range of cultural, social and geographical aspects. The purpose of REDIB is to promote the technological innovation of editorial production tools.

### Chairs and academic programs supported in 2017:

- Dr. Bernardo Kliksberg Chair, Universidad Autónoma Metropolitana (UAM)
- Nelson Mandela Chair, Universidad Nacional Autónoma de México (UNAM)
- International Conference of University Presidents, ANUIES (Asociación Nacional de Universidades e Instituciones de Educación Superior)
- VOR, Center
- Mexico-Spain Chair, El Colegio de México
- Ingmar Bergman Chair, Universidad Nacional Autónoma de México (UNAM)
- BIARI (Brown University International Advanced Research Institutes), El Colegio de México
- Diploma in Transformational Leadership - MIT (Massachusetts Institute of Technology, Escuela Bancaria y Comercial (EBC)

Universia and Santander Universities offer college services to promote professional practices and help college students find their first job, in addition to identifying the training needs of organizations that can be provided by colleges and promoting online tools for college job listings.

For example, we have job websites and SAAE's (Student and Alumni Management Software) at several universities, and we identify high-potential young people in collaboration with HR departments to help drive their professional training and create high-performing leaders, integrating them into a number of business areas within the Bank.

To help drive internship programs, in 2017 we supported 187 students through a range of programs, including a seven-week summer program that offers college students the opportunity to learn about investment fund operations at areas within Santander Asset Management. We also search for talent for Santander Universities scholarships through internships at SME's, in collaboration with the HR department at Zurich Santander. Five college students are currently working in the Risk, Quality and Communication departments.

In 2017, we were involved in the design and implementation of non-finance posts aimed at Santander's SME customers in Mexico through online courses created and presented by the Tecnológico de Monterrey and UNAM (Universidad Nacional Autónoma de México).

We also support training programs by offering face-to-face conferences and workshops focusing on areas such as leadership and personal skills for female business owners, entrepreneurs and high-level executives. Furthermore, in partnership with Zlingo and Voxy, we support the creation of e-learning platforms for the English language.



FACE-TO-FACE TRAINING

**46 courses**

ATTENDED BY **1,578 PEOPLE.**



ONLINE TRAINING

**507 licenses**



# Trust for the Children of Mexico Santander

(102-6)  
This material references Disclosures 102-6 from GRI 102: General Disclosures 2016.

Trust for the Children of Mexico is a program that was created 24 years ago by Santander employees who wanted to donate part of their salary to help Mexican children living in vulnerable situations in terms of education, health and nutrition.



Por los niños de México



**Goal 2.1:** By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.



**Goal 3.d:** Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.



**Goal 4.5:** By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.



**Goal 1.2:** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.



IMPACT 2017:

**27,210 children**  
MXN \$8,217,000



HEALTH

**9,487 beneficiaries**  
MXN \$3,346,000

**8 kidney and bone marrow** TRANSPLANTS.

**32 cleft lip and cleft palate** OPERATIONS.

**182 cases** OF KIDNEY PROBLEMS DETECTED.

**127 cancer** OPERATIONS.



NUTRITION

**5,041 beneficiaries**  
MXN \$1,462,000

**17 indigenous communities** BENEFITTED THROUGH PROGRAMS TO HELP IMPROVE CHILD NUTRITION.

**3,661 children** EVALUATED AND PROVIDED WITH A NUTRITIONAL PLAN.

**293 chronic cases** OF MALNUTRITION DETECTED.

**86,177 nutritional packages** PROVIDED.

**2,722 people** HIRED THROUGH NUTRITION PROGRAMS.



EDUCATION

**12,682 beneficiaries**  
MXN \$2,855,000

**4,860 children** TRAINED IN HOW TO PREVENT SEXUAL ABUSE.

**113 children** RECEIVED PSYCHO-PEDAGOGICAL THERAPY.

**4,033 children and young people** WERE ABLE TO CONTINUE THEIR ELEMENTARY-, MIDDLE- AND HIGH-SCHOOL EDUCATION.

**60 children** WITH DOWN IN INCLUSIVE EDUCATION.





**11,837 employees**

AND 102 SPONSORS SUPPORTED THE TRUST.

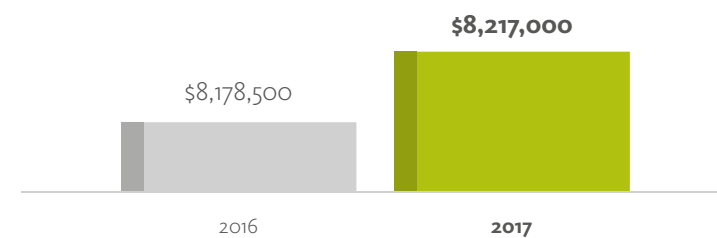
Through an application process, resources were donated to several civil society organizations based on donations from employees and the Bank to help children in Mexico. The Trust has an internal institutional framework that aims to fulfill four main objectives:

- Support civil society organizations that help Mexican children living in socially and economically vulnerable conditions.
- Help organizations to generate knowledge to help them develop skills to better leverage their own human and material resources to the benefit of young people.
- Drive synergies that improve the living conditions of children in Mexico and promote the specialization and professionalization of each of the stakeholders involved in this process.
- Develop processes to implement and analyze the Trust's social responsibility measures, helping consolidate operations.

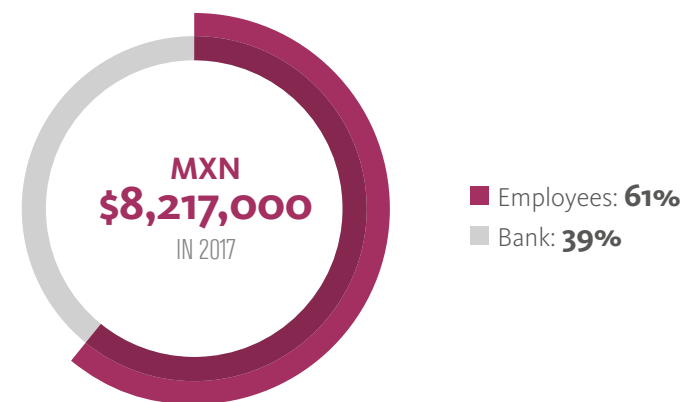
In 2017, we supported 27,210 children through 71 civil society organizations located in states throughout Mexico. We donated MXN \$8,217,000 to directly support these organizations, including MXN \$554,000 to help implement professionalization measures.



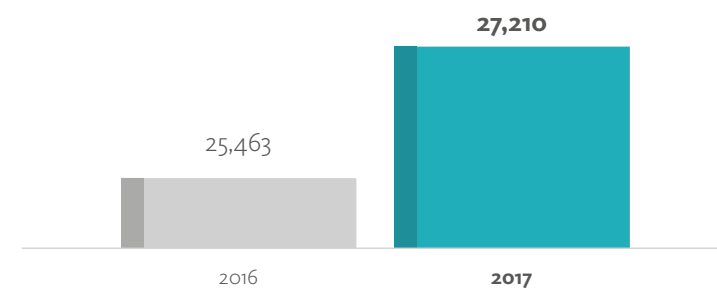
Investment in Trust



Donations to Trust by Source



Trust beneficiaries



**MXN**  
**\$10,000 - \$50,000**

- Casa Hogar Santa Julia Don Bosco, A.C.
- Fundación Dr. José María Álvarez, I.A.P.
- Centro de Educación Infantil para el Pueblo, I. A. P.
- Fundación Santa María del Tepeyac, A.C.



**MXN**  
**\$60,000 - \$75,000**

- La Gaviota Centro de Atención a la Discapacidad Infantil, I.A.P.
- Unidos Somos Iguales Cuernavaca, A.C.
- Fundación Cambia la Historia, A.C.
- Fundación Eduardo Tricio Gómez, A. C.
- Casa Hogar Auxilio, A.C.
- Asociación de Colonos del Ajusco Medio, A.C.
- Casa Hogar de las Niñas de Tláhuac, I.A.P.
- Centro Educativo Nemi, A.C.
- Comunidad de desarrollo integral Copilco, A.C.
- Comer y Crecer, A.C.
- DOMUS Instituto de Autismo, A.C.
- Fundación Mark, I.A.P.
- Nutre a un niño, A.C.
- Proeducación, I.A.P.
- Voces y Visiones de Malinalco, A.C.
- Centro de Estudios para Invidentes, A.C.
- Club de niños y niñas Tijuana, A.C.
- DAUGE, A.C.
- Fundación ¿Sabías que...?, I.B.P.
- Hogar Nuestra Señora de la Esperanza, I. A. P.
- Paz y Convivencia Ciudadana, A.C.
- Promotora de las Bellas Artes, A.C.



**MXN**  
**\$80,000 - \$100,000**

- Fundación Por Nosotros, I.A.P.
- Fundación Nutriendo para el Futuro, A.C.
- Albergue Infantil Salesiano, A.C.
- Fundación Queretana Bebé Avance, A.C.
- Proyecto de Vida, A.C.
- Asociación ALE, I.A.P.
- CAI Piña Palmera, A.C.







MXN

\$100,000 - \$125,000

- Cenyelitzli, A.C.
- Dispensario Médico Tonatzin, A.C.
- Fundación Caritas San Marón, I.A.P.
- Fundación Mexicana del Riñón, A.C.
- Hope World Wide México, I.A.P.
- Instituto Mexicano de la Audición y el Lenguaje, A.C.
- S.J.B., A.C.
- Servicio de Educación y Desarrollo a la Comunidad, I.A.P.
- Un Mañana para la Comunidad, A.C.
- Albergue Infantil los Pinos, A.C.
- Ándale para Oír padres de niños sordos, A.C.
- Asociación Regiomontana de Niños Autistas, A.B.P. (Arena)
- Cambiando una Vida, A. C.
- Con nosotros, A.C.
- Elisabetta Redaelli, I.A.P.
- Fundación CIMA Chihuahua, A.C.
- Fundación de Apoyo Infantil Sonora, I.A.P.
- Fundación Tarahumara José A. Llaguno, A.B.P.
- Fundación Vida Plena, I.A.P.
- La Alegría de los Niños, I.A.P.
- Mayama, A.C.
- Educación y Desarrollo Indígena de Chiapas, A.C.
- Promoción Social Integral, A.C.



MXN

\$150,000 - \$250,000

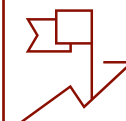
- Aquí Nadie se Rinde, A.C.
- Casa de la Amistad para Niños con Cáncer, I.A.P.
- Centro de Atención Integral de Labio y Paladar Hendido, A.C.
- Colonias de Vacaciones, I.A.P.
- Hogar Rafael Guizar y Valencia, I.A.P.
- Internado Infantil Guadalupano, A. C.
- Institución Providencial de México, A.C.
- Medicina y Asistencia Social, A.C.
- Fundación Hospital Nuestra Señora de la Luz, I.A.P.
- Hogar Infantil Ma. de Jesús Romero Rodríguez, I.A.P.
- IXIM, A.C.
- Transformar Educando, A.C.
- Fundación Castro Limón, A.C.



MXN

\$300,000 - \$350,000

- Yolia Niñas de la Calle, A.C.
- Fundación Kristen, A.C.



**IN 2018, WE WILL IMPLEMENT A SYSTEM TO MEASURE IMPACT IN CONJUNCTION WITH THE ORGANIZATIONS TO BETTER UNDERSTAND THE SCOPE OF THE WORK THEY DO TO HELP SUPPORT CHILDREN'S DEVELOPMENT.**

Through the Trust, we maintain strategic alliances with organizations that help us to promote the professionalization of the institutions that we support, in addition to handling internal evaluation processes and monitoring the results of the programs and institutions themselves. During 2017, our major partners and milestones were:

FUNDACIÓN QUIERA

We strive to ensure that the psychologists from these institutions have the tools they need to offer emotional group support to their employees, thereby improving the emotional health of the children we treat. Through this partnership, we trained seven psychologists from nine institutions, benefiting 543 children from vulnerable social and economic backgrounds.

FUNDACIÓN MERCED

Through this partnership, we help consolidate and professionalize civil society organizations, in areas including: Governance, Institutional Models, Human Talent Management, and Resource Mobility. In 2017, 57 organizations took part and 97 professionals received training.

CLARES CENTRO LATINO AMERICANO DE RESPONSABILIDAD SOCIAL.  
UNIVERSIDAD ANÁHUAC

We strive to share Santander's focus on creating impact indicators for the organizations supported by the Trust. In 2017, we successfully standardized indicators to measure impact, benefiting 43 organizations.



ESCUELA NACIONAL DE TRABAJO SOCIAL - UNAM

We consolidated the Corporate Social Responsibility measures of Trust for the Children of Mexico, integrating college students into several programs. In 2017, we trained 13 college students in social responsibility, in addition to monitoring 71 organizations and assessing 118 projects requesting support for 2018.



# Sustainable partners

(102-6)  
This material references Disclosures 102-6 from GRI 102: General Disclosures 2016.

Santander uses its ATM network to receive donations from its customers and users, supporting a range of social and environmental causes being addressed by its sustainable partners. These campaigns focus on transforming our customers' donations into programs that drive development and well-being in the country. The campaigns we supported in 2017 were:



**Goal 1.2:** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.



IMPACT 2017:

**29,199 beneficiaries**  
ATM FUNDRAISING: MXN \$23,255,939  
CONTRIBUTIONS FROM BANK: MXN \$4,393,608



**Goal 3.d:** Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.



**Goal 4B:** By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programs, in developed countries and other developing countries.



**Goal 11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.



**Goal 15.2:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

**3 GOOD HEALTH AND WELL-BEING**

**20 beneficiaries**  
MXN \$3,048,432

**11 SUSTAINABLE CITIES AND COMMUNITIES**

**MXN \$4,189,752**

**4 QUALITY EDUCATION**

**23,527 beneficiaries**  
MXN \$2,307,810

**2,753 beneficiaries**  
MXN \$10,886,075

**15 LIFE ON LAND**

**2,899 beneficiaries**  
MXN \$2,823,870



## BÉCALOS



Bécalos is a program created by the Asociación de Bancos de México (ABM) and Fundación Televisa to support outstanding students from low-income families, promote educational equality, and contribute to training and refresher courses for teachers. In 2017, Santander provided this program with seed capital totaling MXN \$4,243,608. Bécalos offers scholarships for middle and higher education, academic excellence, technical and scientific programs that help drive domestic development, and training programs for teachers and directors at public schools.

## UNICEF



For 15 consecutive years, Santander has supported UNICEF's work to defend children's rights, especially their right to education. Through an ATM fundraising program, UNICEF has promoted its "Todos los Niños a la Escuela" program. Santander contributed MXN \$150,000 to Calaveritas, a program to promote and protect children's rights in Mexico City.



CASA DE LA AMISTAD



It is a social organization that strives to increase the survival rates among children and young people from low-income families in Mexico who have been diagnosed with cancer. Its strategy focuses on four major stages:

- Early detection of signs and symptoms.
- Providing comprehensive and complementary support.
- Supporting the training of medical staff to ensure the right treatment.
- Preventing the abandonment of treatment.



REFORESTAMOS



This program aims to support those communities living in forests to fight against environmental degradation, integrate new talent and investment in the search for innovative solutions, and drive engagement between companies and communities to promote sustainable growth.

PROVIVAH- FUNDACIÓN VIVIENDA



This private trust was created to offer low-income families in Mexico, who live in unsafe or overcrowded conditions, their own house, helping to bridge the socio-economic divide caused by not owning their own homes. In terms of the funds raised, in 2017 this program was put on hold as a result of planning processes and the change in priorities arising from the earthquakes that hit Mexico in September. The beneficiaries of this program will not be reflected until 2018.



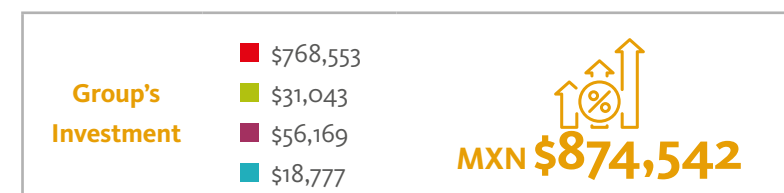
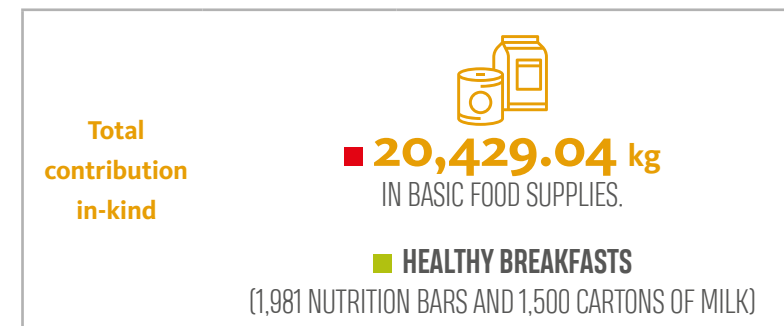
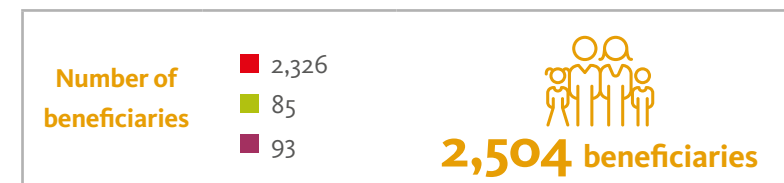
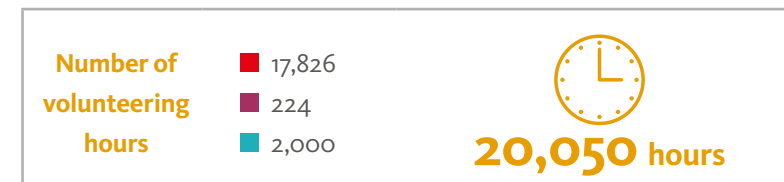
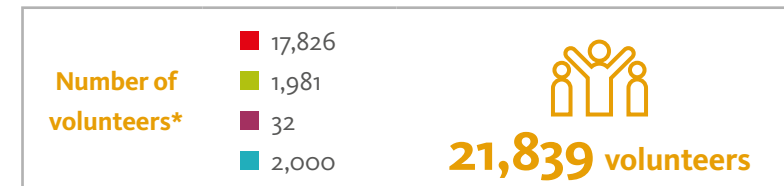
Photo: Telar Social Mx.

# Humanitarian aid

We promote a culture of solidarity among our employees, instilling in them the values we embody as a company. These values help us in our role as an agent for positive change in the community through volunteering. In 2017, the most relevant programs and achievements were:



**Goal 2.1:** By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.



- Banco de Alimentos - Semana Santander
- Programa Dona tu postre a favor del Fideicomiso
- Semana Santander Volunteering with Fundación Quiera
- Food Drive for People Affected by Earthquakes in Santa Cruz Acapulco in the Xochimilco district

\*We define a volunteer as an employee who contributes their time, money and effort to support a social, environmental and community program.



SINCE WE BEGAN OPERATING IN MEXICO, WE HAVE PROVIDED UNCONDITIONAL SUPPORT TO THE **MEXICAN RED CROSS** THROUGH ITS NATIONAL FUNDRAISING DRIVE. WE STAND IN SOLIDARITY WITH THIS GREAT HUMANITARIAN ORGANIZATION AND COMMIT TO THE CONTINUED SUPPORT OF THEIR EFFORTS.



To support those affected by the **earthquakes in September 2017:**



Customers



WE RAISED FUNDS THROUGH OUR **AYUDA 100** ACCOUNT, IN WHICH THE BANK DONATES **MXN \$1 for every \$1 raised (1x1)** BY OUR CUSTOMERS.

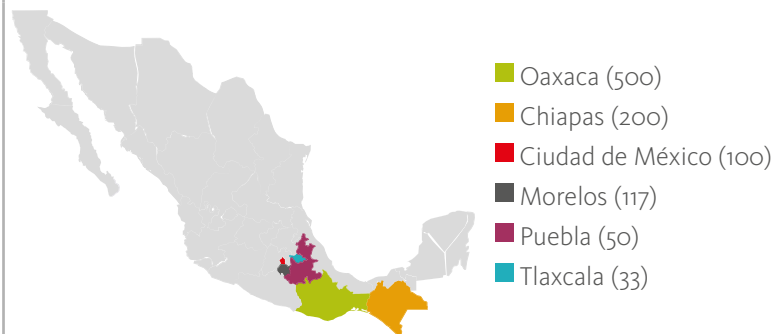


THE TOTAL **AMOUNT RAISED** WAS **MXN \$28,838,735**



THE FUNDRAISING WAS CARRIED OUT TO THE **CONSTRUCTION OF PERMANENT HOUSING** ON BEHALF OF **PROVIVAH TRUST** TO **provide home to 1,000 families.**

THE STATES WHERE THESE HOUSES WILL BE BUILT ARE:



Employees



FUNDS WERE RAISED TO HELP **SANTANDER MEXICO EMPLOYEES** WHOSE HOUSES HAD BEEN DAMAGED.



WITH THE SUPPORT OF SURVEYORS, THE **DWELLINGS WERE EVALUATED** AND THE **AMOUNTS REQUIRED TO FIX THOSE HOUSES** THAT HAD SUFFERED **MODERATE TO SERIOUS DAMAGE** WERE DETERMINED.



OUR INSTITUTION **MULTIPLIED THE FUNDS RAISED BY 10**, ACHIEVING A TOTAL OF

**MXN \$4,882,500** TO HELP **171 employees.**



**SANTANDER EMPLOYEES FROM Spain, Brazil, Colombia and the United States JOINED FORCES** WITH THEIR COLLEAGUES IN MEXICO TO SUPPORT THIS CAUSE.



EMERGING PROGRAM FOR CUSTOMERS AFFECTED BY EARTHQUAKES

WE OFFERED COMPANIES THAT HAD SUFFERED PHYSICAL OR FINANCIAL DAMAGES **CREDITS WITH UP TO A 6-MONTH GRACE PERIOD BEFORE STARTING TO PAY.**

**105 credits** WERE GRANTED.



FOOD DRIVE FOR THOSE AFFECTED BY THE EARTHQUAKE ON SEPTEMBER 19

**EMPLOYEES** ORGANIZED A FOOD DRIVE TO SEND **FOOD AND CLEANING SUPPLIES** TO A COMMUNITY LOCATED IN **SANTA CRUZ ACALPIXCA** IN THE **XOCHIMILCO** DISTRICT OF MEXICO CITY.





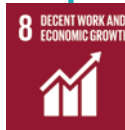
3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote wellbeing for all at all ages.



5 GENDER EQUALITY

Achieve gender equality and empower all women and girls.



8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.



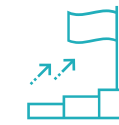
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns.

# Economic Sustainability

Being sustainable means implementing economically profitable and fair practices that are based on social responsibility and environmental criteria. This is how we contribute to progress in Mexico and promote comprehensive development within the country, embodying our commitment to sustainability.

## CUSTOMERS



WE MAINTAINED OUR POSITION WITHIN THE **TOP 3** OF THE **SERVICE SATISFACTION** BENCHMARK.



THE **TUIIO FINANCIAL INCLUSION PROGRAM** OFFICIALLY **BEGAN OPERATING**.

## EMPLOYEES



WE INVESTED **14% more** IN **TRAINING PROGRAMS** THAN IN 2016.



**54% of new hires** WERE **FEMALE**.

## SHAREHOLDERS / INVESTORS



WE HAVE **17,619** **shareholders** IN 2017.



OUR **INVESTOR RELATIONS TEAM** WAS RANKED AMONG THE **TOP 3** IN **LATIN AMERICA**.

## SUPPLIERS



**96% of our suppliers** ARE **LOCAL**.

## AUTHORITIES



THE TEAM RESPONSIBLE FOR **MONITORING AND RESOLVING REQUESTS** FROM FEDERAL AUTHORITIES IS COMPOSED OF **3 AREAS**.

## COMPETITORS



WE **CONTINUED WORKING** ALONGSIDE THE ASOCIACIÓN DE BANCOS DE MÉXICO (**ABM**), THE BANCO DE MÉXICO (**BANXICO**) AND THE COMISIÓN NACIONAL BANCARIA Y DE VALORES (**CNBV**).



# Customers

An essential part of our sustainability is based on creating the communication channels needed to fully understand and integrate our customers' expectations into the development of our internal strategies, products and operations. We firmly believe that on-going communication not only demonstrates the efforts the Group makes to keep its commitments, but it also consolidates relationships with those whom we serve.

Furthermore, our open communication channels are a fundamental tool in ensuring transparency in our sales processes, evaluating the impact of our services, and generating value. It is through these tools that we can communicate the features of our products and promote their responsible use and consumption.



## Customer Service

At Santander, we strive to offer our customers personalized service that is characterized for its excellence and fairness, its accessibility, its responsiveness, and its use of cutting-edge technology.

Through our Central Customer Service and Assistance Unit, we help resolve a range of complaints, suggestions, doubts and comments that we receive through our seven platforms:



**15,450,216 customers**  
IN 2017, **14% MORE** IN A YEAR-ON-YEAR COMPARISON.



## A CUSTOMER OR USER

### 1. SUPERNET

- Customer registers complaint.
- They automatically receive a file number and SLA (letter of receipt-resolution date).

### 2. BANNER (PORTAL)

- Customer or User registers their file number.
- They automatically receive a file number and SLA.
- They register their contact details (e-mail and cellphone number).

### 3. BRANCH NETWORK

- Register complaint.
- Provide letter of receipt with file number and SLA.
- Register contact details (e-mail and cellphone number).

### 4. CONTACT CENTER

- Register complaint.
- Provide file number and SLA.
- Register their contact details (e-mail and cellphone number).

### 5. CUSTOMER OMBUDSMAN

- Register complaint and inform customer that the Central Customer Service and Assistance Unit will handle their case.
- Send complaint via e-mail.

### 6. SOCIAL NETWORKS

- Complaint is received and registered (VPN).
- File number and SLA are sent automatically.
- Register contact details (e-mail and cellphone number).

### 7. RADIO SHOW

- Case is addressed on air and recorded in the system.
- Registers contact information (e-mail and mobile phone number)



## B

### SERVICE MANAGER (MANAGEMENT SYSTEM)

- Generate file number.
- Letter of commitment, e-mail and SMS are sent automatically.
- Letter of commitment and SMS are sent automatically (file closure).



## C

### CENTRAL CUSTOMER SERVICE AND ASSISTANCE UNIT

#### For SuperNET, Contact Center, Branch network and Social network:

- Analyze origin, make decision, and/or involve other areas of the Bank and its subsidiaries in the resolution process.
- Obtain ruling and issue automatic response (e-mail and SMS).

#### For all other channels:

- Register complaint in SC system.
- Follow aforementioned processes.

Generate statistical information, based on product, area, channel, process, segment, criticality and root cause.

#### Governance:

- Promote and monitor implementation of improvements.
- Inform areas and monitor indicators and ratios.



## D

### CUSTOMER OR USER

- Receive notification of receipt automatically via SMS and e-mail.
- Receive response automatically (SMS and e-mail).



## C

### SCALING AREAS (BANK AND SUBSIDIARIES)

- Receive and analyze request.
- Identify root cause.
- Visit customer (if necessary).
- Draft response and send via e-mail to the Central Complaint Resolution Unit.
- Implement improvements.







**9,430 comments**

AND SUGGESTIONS WERE SUCCESSFULLY ADDRESSED IN 2017.



This year, we have implemented four programs to help consolidate our Customer Service area:

<p>SMART FAQ ENGINE</p>  <p><b>525,000</b> QUESTIONS RECEIVED</p>	<p>VIRTUAL ASSISTANT</p>  <p><b>351,000</b> QUESTIONS RECEIVED</p>
<p>ONLINE CHAT</p>  <p><b>30,000</b> CHATS ACTIVATED</p>	<p>E-MAIL SERVICE</p>  <p><b>10,000</b> E-MAILS RECEIVED</p>

In addition to all the communication channels we offer our customers through our Central Customer Service and Assistance Unit, we have created a Market Research department, which develops a range of studies every year to help align our new product and service launches with the real needs of our customers, in addition to measuring the functionality and acceptance of the former.

Through surveys, focus groups, mystery shoppers, and face-to-face, telephone and online interviews, in 2017, we implemented the following studies:

**1. Connect Platform**

**Goal:** Evaluate the remote service model we offer.

**2. Select Me**

**Goal:** Measure the level of acceptance of a new service model aimed at our female clients. It offers added value services such as assistance, advice on a range of processes, and medical check-ups, among others.

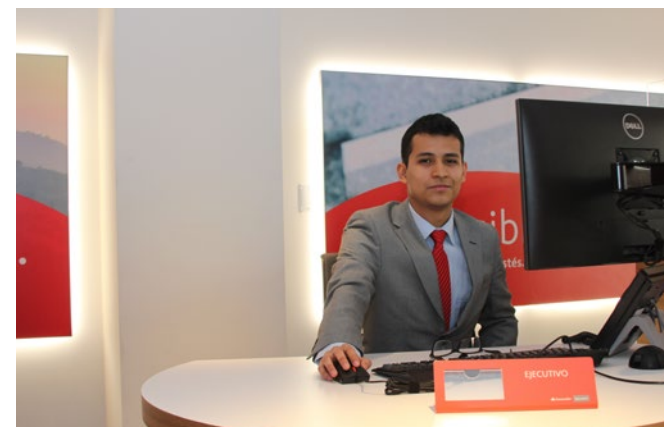
**3. App Review**

**Goal:** Test the use and functionality of our apps and make any adjustments necessary to improve them:

- a. Onboarding for the Santander Super Digital account.
- b. Onboarding for the Santander Plus account.
- c. Santander Plus mobile site.
- d. FX online platform.



**6 market research studies**  
WERE UNDERTAKEN DURING THE YEAR.



## Quality and customer satisfaction


At Santander, the efficiency and operation of our quality processes and customer service systems is reflected in our customer satisfaction levels. In order to evaluate our work and drive on-going improvements within the Group, we undertake daily surveys to measure the satisfaction levels of our users. Based on these surveys, we found the following results:



**114,764** satisfaction surveys  
APPLIED IN 2017.



**89,000** surveys  
FOCUSING ON EVALUATING SERVICE AT OUR BRANCHES.



**3 NEW SERVICE QUALITY PROCESSES** WERE IMPLEMENTED.



**21,239** Wow commendations  
FOR OUR BRANCH EXECUTIVES.

**4. Santander Super Debit Account Rewards**

**Goal:** Measure the drivers of debit account use and the reward programs linked to the use of our Santander Super Debit Account

**5. Correspondents**

**Goal:** Measure satisfaction levels among customers who have conducted transactions at Oxxo, Telecomm and 7 Eleven.

**6. Evaluation of Visa - Aeroméxico and Platinum Cards**

**Goal:** Evaluate the value proposal of our Visa - Aeroméxico and Platinum credits cards in order to offer the best possible benefits to our customers during their transactions.

Furthermore, we are preparing for the future by working on the structure for a digital Self-Management Information system, which will be rolled out next year. We are also working on restructuring our Estilo Santander program, which, as of January 2018, will become Toque Santander. Through this new and improved program, we will be able to offer simple, tailor-made, fair and comprehensive customer service.



**1. Wow Commendations:**

Of the 89,000 surveys undertaken to evaluate service levels at our branches, a total of 21,239 Wow commendations were given. These commendations are given when a customer states that their executive did something exceptional to improve their in-branch experience.

**2. Benchmark:**

We remained third in the Service Satisfaction Benchmark that measures and compares the performance of the major banking institutions in Mexico, encompassing areas such as service, communication channels, price, image, and brand.

**3. Quality Processes:**

Based on the results of the surveys, and with a focus on improving customer experience, three new service quality processes were implemented:



## SUSTAINABLE MARKETING

Fully aware of the potential impact our advertising activities, we have implemented environmental policies to cover all our marketing campaigns. In 2017, we rolled out the following measures:

1. Significant reductions in printed advertising.
2. Diversification of publications to cover external digital media outlets.
3. Collaboration with environmentally-friendly printing suppliers.

Part of our strategy to reduce printed advertising has been the consolidation of our presence on social networks. At Santander, we focus on leveraging all manner of digital tools to help increase our sphere of influence and improve communication with our customers.

Thanks to our accounts on Facebook, Twitter and YouTube, we successfully shared infographics, news and videos about areas of interest, such as financial education, data protection, and the proper use of our products.

**f** 1,898,771  
FOLLOWERS

**t** 186,258  
FOLLOWERS

**▶** 4,232  
FOLLOWERS

**Marketing**

At Santander, we firmly believe that the best way to promote responsible consumption is through sustainable marketing, encompassing transparent campaigns that promote access to all our products and services. It is through our Marketing department that we share our vision of responsible production and contribute to the progress of people and companies in the communities in which we operate.

To guarantee the sustainability and compliance of our campaigns, we ensure that all our marketing activities meet applicable legislation and guidelines for the financial sector, as stipulated by bodies including: The Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF), the Banco de México (Banxico), and the Comisión Nacional Bancaria y de Valores (CNBV).

In conjunction with the external regulations that all our marketing complies with, our advertising campaigns are reviewed by our Legal department to guarantee compliance with all internal and external regulations, prior to reaching the customer.

**QUALITY GUIDE FOR INSURANCE SALES**

This guide helps our employees in the customer management process, ensuring they offer service that is characterized by empathy, respect, order and knowledge of the product.

**TIPS FOR IDENTIFYING ONLINE PURCHASES**

These tips were included in a video designed to provide key points about how to ensure a great shopping experience, focusing on the right ways to clearly explain the benefits and costs of the product on offer.

**4R'S TO PROMOTE PEACE OF MIND IN THE EVENT OF AN ACCIDENT**

This program is part of a digital strategy to improve service quality. Opportune information is provided regarding the four steps to be followed in the event of an accident, from reporting it to its resolution.

Finally, to thank our customers and reward their loyalty, we have reimplemented the Santander Plus campaign, which offers a wide range of benefits, including direct deposits for services, savings plans, and payments at Grupo Alsea restaurants with Santander cards, among others. Furthermore, customers can also win two tickets to a range of cultural events as a way of saying thank you for their preference.



Furthermore, through our online profiles we are able to communicate our vision and mission, raising awareness among our audiences of the Social Responsibility goals that Santander has set. In 2017, we created a quarterly campaign to present our social and sustainable commitments.

During the year, we focused on the following activities:

1. Reforestation activities.
2. Fundraising and support for institutions, including: Fundación Mark, Fundación Kristen, Casa de la Amistad, Béalos, Institución Casa Hogar and Fundación Vivienda.
3. Communication regarding structural improvements to our facilities to help protect the environment and promote the more efficient use of natural resources.



### Positioning Campaigns:

#### a. Santander Plus II:

We relaunched our Santander Plus program, which offers cashback for using a range of services, including direct deposits, saving plans, and payments made at Grupo Alsea restaurants, among others.

#### b. Santander Plus Soriana:

We coordinated a partnership with Grupo Soriana to offer our customers the opportunity to receive MXN \$100 for every MXN \$1,000 they spent on Wednesdays throughout the month at Soriana, Mega and Comercial Mexicana using their Santander debit card. For City Club, the promotion was MXN \$200 for every MXN \$1,000 spent on Sundays throughout the month using their Santander debit card.

### Social Campaigns:

#### a. 1 x 1 Earthquake:

In the wake of the earthquakes that affected a number of parts of the country in September 2017, at Santander we launched a fundraising campaign to help victims and rebuild the areas affected. Santander matched every MXN \$1 donated by our customers. The money raised was donated to Provivah Trust for the construction of permanent homes.



**1.2 million**  
PEOPLE REACHED VIA OUR  
SOCIAL NETWORKS.

### OUR CAMPAIGNS

Throughout the year, we deployed a number of communication campaigns through a range of digital media, television, radio and newspaper outlets. The fundamental goal of these campaigns is to promote the responsible use and acquisition of our products and services, position Santander on the existing market, and support social causes that drive growth and improvements in our community.

#### Promotion Campaigns:

##### a. Investment and Free Gift:

The goal of this campaign was to get people to invest their Christmas bonuses. Customers were offered investment plans ranging from MXN \$50,000 to MXN \$5,000,000 for a period of 360 days. In exchange, they were offered an exclusive rate based on the amount invested and a Samsung product of their choice.

### SPONSORSHIP

At Santander, we aren't content to just promote the responsible use of our products and services; we also focus on sponsoring a range of events that our customers are interested in. We firmly believe that the sponsorships we coordinate help drive engagement between our customers and Santander, consolidating our pre-existing relationships. They also allow us to forge partnerships with other companies and groups, increasing the scope of the portfolio of products and services in which our customers are interested.

##### 1. F1:

Santander has positioned itself as one of the two partner banks of CIE (Corporación Interamericana de Entretenimiento) in Mexico. This alliance has enabled us to offer access to a top-class sporting event and the opportunity to buy tickets before they become publicly available, in addition to offering payment schemes to our customers. We also gave away 7,000 double passes to the F1 Grand Prix in Mexico to our most loyal customers.





**2. LaLiga Santander:**

By promoting sport, we have been able offer our customers the chance to win trips to Spain to see some of best teams of LaLiga Santander play, as well as giving away kits from the leading Spanish soccer teams to those customers who increased spending on their Santander cards. Customers who updated their information were given a free Panini sticker album.



**PORTALS**

In addition to the financial products and services that we offer, at Santander we have a range of portals that, thanks to our backing, offer our customers a secure and trustworthy experience when acquiring houses, car insurance, or travel services.

**CasaCompara**

In 2017, our real-estate portal, [www.casacompara.com](http://www.casacompara.com) reported:

**3,075,010**  
VISITS IN 2017.

**143,227**  
PROPERTIES PUBLISHED.



Major improvements were made to the portal, including a new Mortgage platform that offers a 100% digital, flexible and easy-to-use service via: <https://www.santanderhipoteca.com/>

**AN AVERAGE OF 1,050 mortgage requests RECEIVED PER MONTH.**

**459 digitally pre-qualified requested IN JUST THREE MONTHS.**

We also improved the home screen and the mortgage pre-qualification process, using A/B Tests and usability analysis, achieving:

- A reduction in initial drop-off of 7%.
- An increase in conversion rate from 1.2% to 2.3%.

At Santander, we set our sights on the future, which is why, in 2018, we have set the goal of pre-qualifying more than 5,000 requests digitally, increasing conversion by 50%, and setting the goal of a rate of 3.45%. To achieve this, we will be working on a re-marketing and incubation strategy, focusing on drop-offs during different stages of the process.

**AutoCompara**

The accessibility of our [www.autocompara.com](http://www.autocompara.com) portal has positioned it among the top car insurance sales sites. In 2017, 2,294,858 visits were recorded, with a total of 1,893,587 users. 1,092,566 quotes were requested via the portal.

**22% more users**  
REPORTED IN A YEAR-ON-YEAR COMPARISON.

**ViajaCompara**

Through our [www.viajacompara.com](http://www.viajacompara.com) portal, we use a secure and accessible travel search engine, which is backed by our financial institution. The Santander travel service site allows users to find the best travel packages to the world's leading tourist destinations. Thanks to the tailor-made service we offer through our Call Center, customers can plan every detail of their itinerary, easily and securely.



IN 2017, WE CARRIED OUT **STRESS TESTS**, MITIGATING ANY POSSIBLE RISKS LINKED TO THE **PLATFORM'S PERFORMANCE.**



To offer a new and improved service, we redesigned our portal, focusing on major improvements, such as the creation of new microsities to increase the number of offers available to users.

**70 new microsities**  
FOR DESTINATION COUNTRIES.

**47 microsities**  
FOR NEW AIRLINES.

In terms of the portal's functionality, we incorporated a 'Recent Searches' section, allowing users to go back and consult their previous searches. We also improved the digital interface for mobile devices, allowing access to our site no matter where our users are.

To increase our market and improve the quality of service we offer our international users, we adapted a multi-currency and multi-language system. Furthermore, we improved the deals available to our users by incorporating more tourist service providers on the platform, driving the development of the domestic and international tourism industry.

The improvements we have made are starting to bear fruit. In 2017, we had 1,092,806 visits, leading to 6,162 online reservations. The growth of our portal can also be seen in the number of destinations on offer.

For 2018, we have set ourselves the goal of continuing to grow the site by increasing the number of providers, widening the scope of the portal, and implementing a range of digital improvements.



## Transparency in product development and commercialization

(102-11, 417-1, FS1, FS15)

This material references Disclosures 102-11 from GRI 102: General Disclosures 2016; Disclosure 417-1 from GRI 417: Marketing and Labeling 2016; Financial Services Sector-Specific Product and Service Impact Disclosure on Management Approach, FS1: Sector Supplement for Financial Services, GRI G4 2013; and Financial Services Sector-Specific Product Responsibility Disclosure on Management Approach, FS15: Sector Supplement for Financial Services, GRI G4 2013.



IN 2017, THE LOCAL COMMERCIALIZATION COMMITTEE **COORDINATED AND APPROVED** A TOTAL OF

**18** “new” products

CHANNELING THEM TO THE GLOBAL COMMITTEE TO APPROVE AND **CERTIFY THEIR LAUNCHES.**



**38** products

RATED AS “VARIANTS” OF EXISTING PRODUCTS, **WERE CERTIFIED FOR THEIR COMMERCIAL LAUNCH.**

At Santander, we have a regulatory framework\* that governs the process of approving and monitoring all the products and services offered in Mexico. This framework states that our Corporate offices should align themselves with local regulations, ensuring a balance between the risks undertaken by our customers when acquiring a product and the expectations of the benefits that these products offer, both for the customers and the Bank.

This framework outlines the processes for approving and monitoring Santander products and services to minimize the institution's exposure to reputational risk and risk behavior stemming from their commercialization, focusing on the stages of admission, pre-sale, sale and monitoring (after-sales).

The regulatory framework is published in the Institution's General Policies Manual and can be consulted by any employee. Furthermore, every year, employees are offered a course focusing on the approval and monitoring process, with the goal of consolidating the processes within this area.

\* The location of the policies, principles and/or codes of conduct can be found in the General Policies and Procedures of Santander.

This material references Disclosures 102-2 from GRI 102: General Disclosures 2016; Disclosure 417-1 from GRI 417: Marketing and Labeling 2016; Financial Services Sector-Specific Product and Service Impact Disclosure on Management Approach, FS1: Sector Supplement for Financial Services, GRI G4 2013; and Financial Services Sector-Specific Product Responsibility Disclosure on Management Approach, FS15: Sector Supplement for Financial Services, GRI G4 2013.

The committees responsible for commercializing Santander's products and services are outlined below.



### CORPORATE COMMERCIALIZATION COMMITTEE (CCC)

This committee is responsible for all areas relating to the commercialization of the products and services of the Group. It is based in Madrid, Spain.

Presided by the Chief Compliance Officer and by representatives from Compliance areas:

- Legal Advice
- Risk Behaviors
- Risks
- Auditing
- Tax Advice
- Management Control
- Accounting
- Financial Management
- Business
- Technology
- Operations and Processes
- Industrial Property and Marketing.



### LOCAL COMMERCIALIZATION COMMITTEE (CLC)

This committee is responsible for all areas relating to the commercialization of Santander's products and services in Mexico.

Presided by the Joint Legal Director and by representatives from the Executive Offices of:

- Compliance
- Legal Advice
- Risks
- Auditing
- Tax Advice
- Management Control
- Accounting
- Financial Management
- Business
- Technology
- Operations and Processes
- Industrial Property
- Advertising and Marketing

We also record and monitor the number of product and services. The CLC is tasked with validating control and monitoring measures, including the following factors, among others:

- Potential risk of loss of capital or elevated complexity.
- Unfavorable evolution on the market or decline in issuers.
- Bad sales practices.
- Fines or penalties from regulatory bodies.

The Compliance department, among other areas, focuses on compiling the information necessary to undertake the periodic monitoring of all products and services based on the variety of sources to which it has access, or, failing that, from the respective business unit. It also has a corporate tool called OPERA at its disposal, which can be used to present new products to the CCC, ensuring that the publication of the content meets the data regulatory requirements issued by the authorities, including Banxico, CNBV and CONDUSEF, both in terms of internal and external publications.

(102-2)

We offer our customers all the information they require regarding the conditions, restrictions and labeling of our products and services, publishing all applicable commissions, TAC (Total Annual Cost) and TAR (Total Annual Return) in our [website](#).





## Social impact products



**Goal 8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.



DURING 2017

**24,821 credits**

TOTALING MXN \$48,700 MILLION, WERE GRANTED TO SME'S.



Through Santander PyME, we promote the development of small and medium-sized enterprises (SME's) in Mexico, increasing employment opportunities and focusing on the growth requirements of the sector. The Bank's Agribusiness area coordinates financing to benefit sustainable projects within the agricultural sector.

In 2017, we offered a range of special credits to help support social and environmental projects that have a positive impact on specific sectors. Some of these programs include:

### SME PROGRAMS

- **Agro-Loans for Communities**

This program was developed to drive tangible benefits for our customers from agricultural communities. Its benefits range from extending inventory financing, offering better sales conditions and financing opportunities to increase purchasing power, and offering flexible payments based on the agricultural cycle.

In 2017, we authorized 49 credits, benefitting our customers and creating in them a sense of belonging to the community.

- **First SME Loan**

This new loan drives social integration by providing financing to those people who have no credit experience, and who, in a traditional loan environment, would not be given access to credit. Santander supports these people, offering a SME loan with a variable rate to help drive financial inclusion. In 2017, we authorized three loans.

- **Loans for Women**

We promote equal opportunities and the growth of the female workforce. Our PyME Mujeres program offers loans designed for female entrepreneurs and businesswomen in Mexico to help promote tangible support mechanisms. In 2017, we provided the following support:

- **Mujeres empresarias**  
Companies:  
1,687 loans authorized.
- **Mujer crezcamos**  
Individuals:  
126 loans authorized.

- **Information and Communications Technology Program**

The purpose of this loan is to promote financing for the acquisition of technological and advanced manufacturing solutions, including, among others: hardware, software, machinery, and specialized equipment. It also covers expenses relating to the implementation of these solutions to help automate business processes. In 2017, in conjunction with Nacional Financiera, nine credits were authorized.

- **Emerging Program for Customers Affected by Earthquakes**

To support those affected by the earthquakes that hit Mexico in September 2017, at Santander we offered companies that had suffered physical or financial damage credits with up to a six-month grace period before starting to pay. 105 credits were authorized.

- **Young Entrepreneurs**

Through this program, we provide financing to new businesses and those that have been operating for less than a year. In 2017, 1,338 young entrepreneurs received these loans.

- **Financing for the Restaurant Industry**

In conjunction with Nacional Financiera and the Ministry of Tourism, we launched the Ven a Comer loan program, helping facilitate access to financing for the restaurant industry. Our goal is to create a distinctive sense of quality and authenticity for products, markets, suppliers, restaurants and even chefs. During 2017, we authorized 154 credits for restaurants.

- **Gas Station Program**

Through this program, Santander provides financing to gas station owners to help them make the necessary investments to help develop their nationwide business plans. In 2017, 37 credits of this kind were authorized.



From our Agribusiness area, and with the support of Trust Funds for Rural Development (FIRA), we finance projects from the agricultural, rural and fishing sectors in Mexico:

**Rural Financing**

In conjunction with the Bank of Mexico, we have financed around 116 investment projects, totaling MXN \$755 million, in communities with fewer than 50,000 inhabitants, helping drive employment and increasing social well-being in these rural areas. This has been possible thanks to our participation in the Official Rural Financing Program.

**Program for Areas Affected by Natural Disasters**

Through this program, we aim to increase the speed of institutional responses to help companies and reactivate the economies of regions affected by natural disasters, offering interest rates of 1%. We have authorized credits for MXN \$1,600 million.

**Special Financing Program for Priority Populations**

At Santander, we strive to facilitate access to credit and reduce financial costs to meet the credit requirements of the priority population in the agricultural, forestry and fishing sectors, in addition to sustainable projects. To date, we have authorized loans for a total of MXN \$300,000,000.

**Special Support Program for Sustainable Projects**

Through this program, we help promote the development of profitable green projects, focusing on sustainable agricultural and forestry practices, efficient water use, renewable energies, and energy efficiency, among others. These projects, which help optimize the use of energy and natural resources, are supported through a financial program that is equivalent to 100 basis points of the interest rate.



**Goal 5.a:** Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.



IN 2017 WAS LAUNCHED THE SELECT ME PROGRAM TO HELP DRIVE THE FEMALE EMPOWERMENT AND THEIR PROFESSIONAL DEVELOPMENT.

**SELECT ME**

This program combines a range of investment products and specialized accounts, tailor-made assistance at branches, and access to services designed for women from high income brackets. It includes a package of unique solutions that facilitate women's day-to-day activities.

**Financial education**

(FS16)

This material references the Financial Services Sector-Specific Product Responsibility Disclosure, FS16: Sector Supplement for Financial Services, GRI G4 2013.

At Santander, we have a range of tools and programs that contribute to the Financial Education of our customers, employees and the community in general.



**PYME ADVANCE PROGRAM**

Supports training, financing, internationalization and the search for talent.



**1,578 scholarships** for face-to-face workshops were given, in addition to **507 licenses** for online training.

FOR FURTHER INFORMATION, PLEASE VISIT [HERE](#).



**PERSONAL FINANCE COURSE**

We offer our employees personal finance courses.



We trained **158 people** with a total of **316 training hours**.

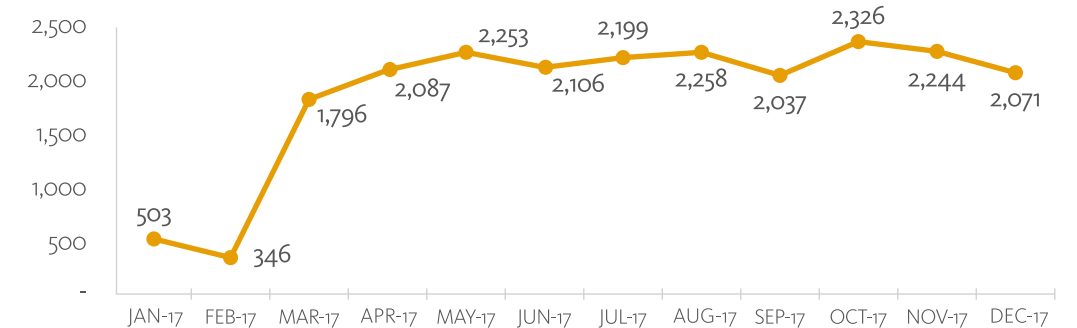


**ABC OF PERSONAL FINANCES**

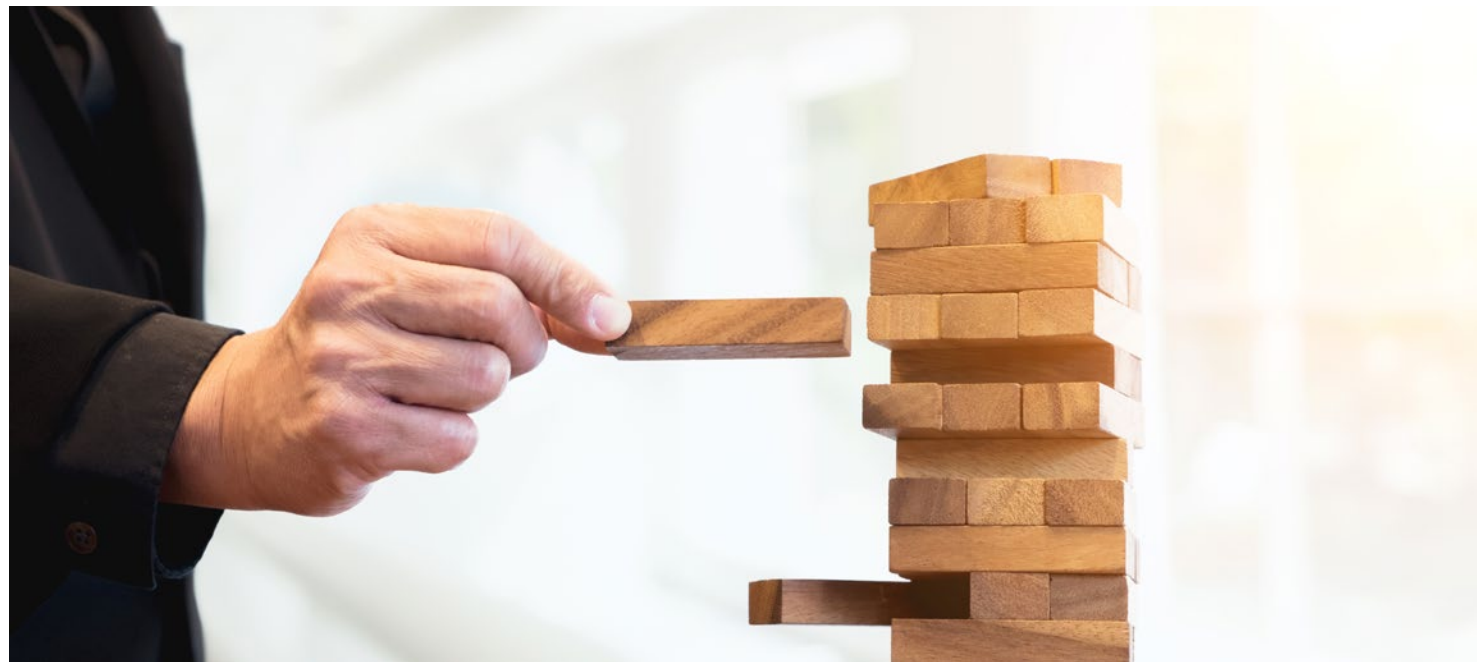
The goal of this program is to help people understand basic financial education tools and concepts, helping drive well-being at different stages in their lives.



Our [website](#) had a total of **22,226 visits**.







## Evaluation of social and environmental risks

(412-3, FS1, FS2 y FS3)

This material references Disclosure 412-3 from GRI 412: Human Rights Assessment 2016; and Financial Services Sector-Specific Product Responsibility Disclosure, FS1, FS2 and FS3: Sector Supplement for Financial Services, GRI G4 2013.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



**Goal 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



IN 2017, 4 PROJECTS, TOTALING

**MXN \$22 billion**

WERE FINANCED USING THE EQUATOR PRINCIPLES FRAMEWORK.

Based on the Group's social and environmental policy, at Santander, we evaluate all financing projects over USD \$10 million based on the Equator Principles framework to determine, evaluate and manage the social and environmental risks of our projects. This policy was approved by the Board of Directors for its application in Mexico as of May 2016.

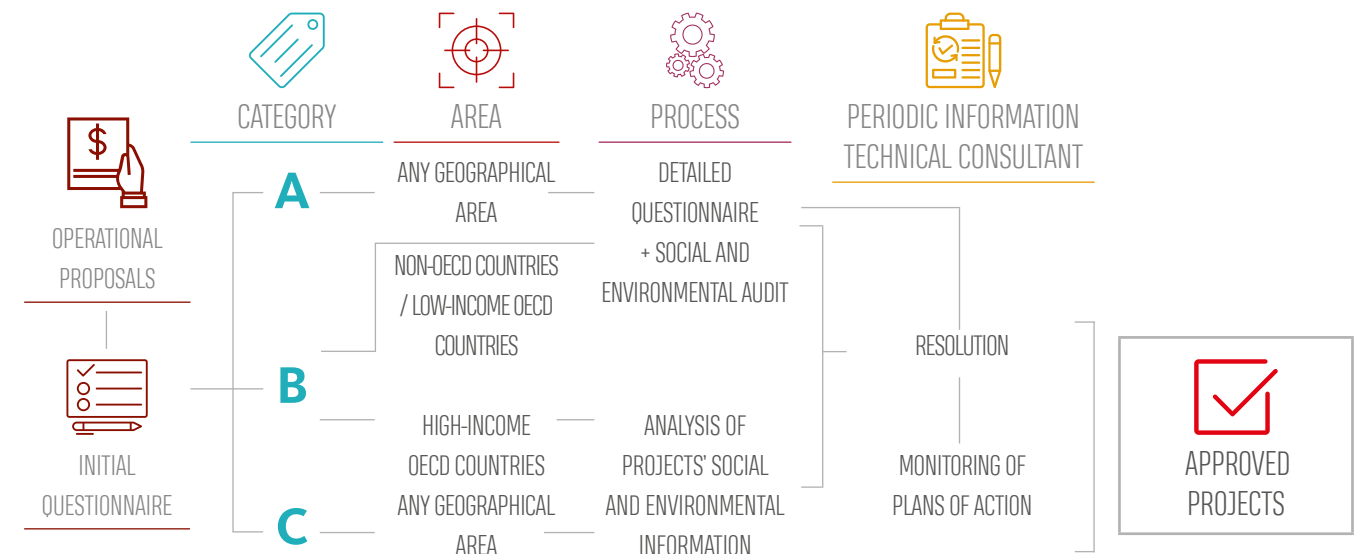
Our Global Corporate Banking, or Project Finance, area is tasked with working alongside the Group's consultants to coordinate the environmental due diligence, in addition to drafting surveys to measure the social and environmental risks of each project. Its goal is to control and record possible risks associated with infrastructure development and energy projects, sectors that play a fundamental role in the economic development of the country.

The financial and commercial analysis that is inherent in the financing process is complemented by a detailed socio-environmental study undertaken by an external consultant. This study is based on the Environmental and Social Questionnaire (ESQCorporativo) and is used to monitor the impact of the projects in question.

This material references Disclosure 412-3 from GRI 412: Human Rights Assessment 2016; and Financial Services Sector-Specific Product Responsibility Disclosure, FS1, FS2 and FS3: Sector Supplement for Financial Services, GRI G4 2013.

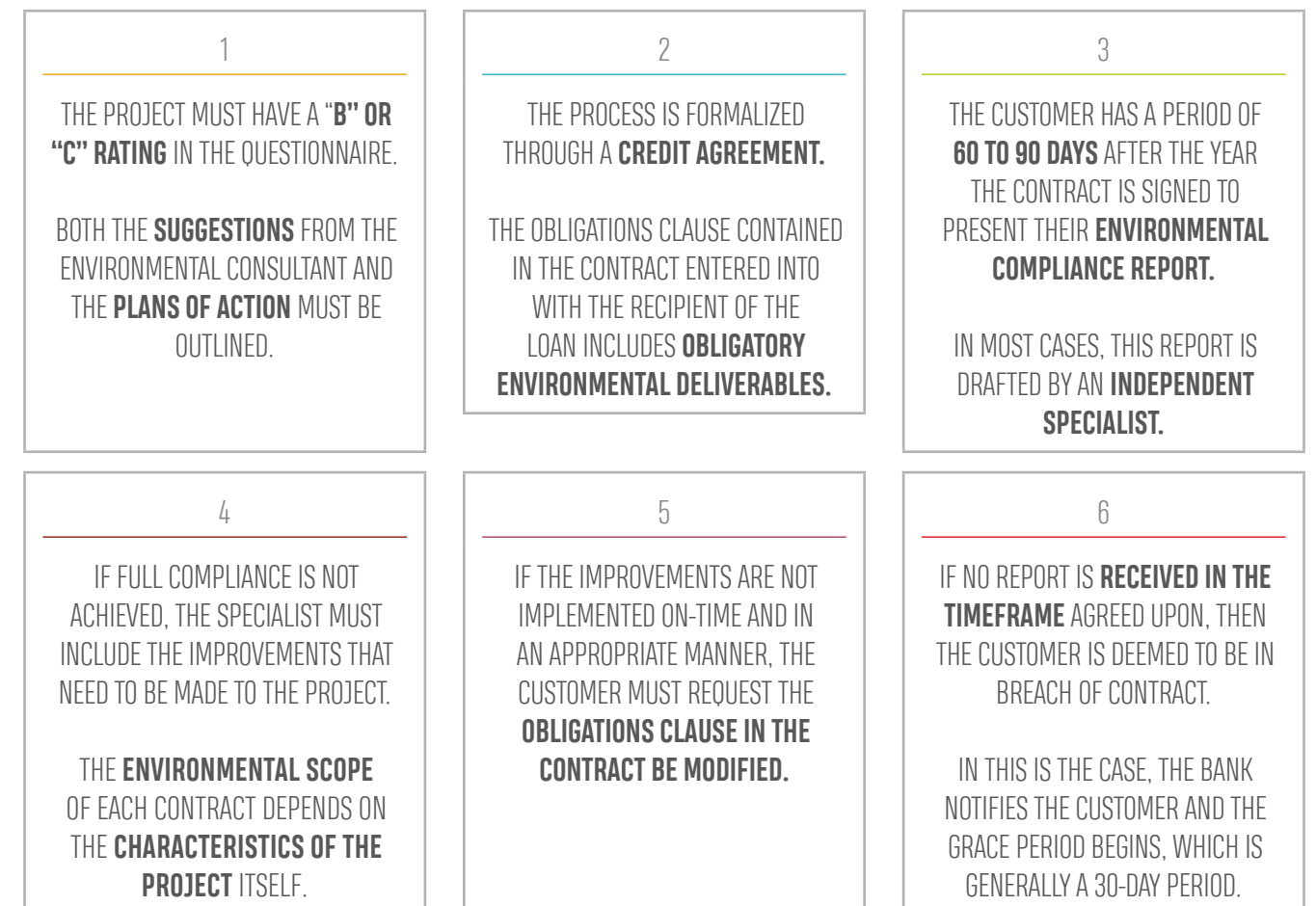
## Social and Environmental Risk Analysis Procedure, based on the Equator Principles, at Project Finance

Amounts greater than USD \$10 million



- a. Project Finance with a significant negative and high-risk impact.
- b. Project Finance with a negative and lower-risk impact.
- c. Project Finance with a low or non-existent impact on the environment.

Below is a step-by-step guide to the project approval process:



This material references Disclosure 412-3 from GRI 412: Human Rights Assessment 2016.

**Financial Products subject to the Equator Principles:**

1. Project Finance Consultancy Services, when the total capital costs of the project exceed USD \$10 million.
2. Project Finance, when the total capital costs of the project exceed USD \$10 million.
3. Corporate Loans linked to Projects (including Export Financing in the form of Buyer Credits), when the following four criteria are met:
  - a. The majority of the loan is linked to a project over which the customer has effective operational control (directly or indirectly).
  - b. The total loan amount is at least USD \$10 million.
  - c. The individual commitment with the EPFI (Equator Principles Financial Institution) (prior to syndication or resale) is at least US \$50 million.
  - d. The loan period is at least two years.
4. Bridge Loans with a payment period of less than two years to be refinanced through Project Finance or a Corporate Loan linked to Projects which will, foreseeably, meet the relevant criteria.



## Investment in innovation and technology


One of our goals is to drive responsibility within the digital environment. In order to achieve this, we know that the key lies in investing in the right tools and technology to offer our customers the best possible experience.

At Santander, we are investing in a range of technology projects, the goal of which is to drive improvements and help us become a stronger Bank. Thanks to these initiatives, we now have the capacity to drive innovation when developing products that allow us to ensure our internal operations are more efficient, in addition to offering our customers the best banking experience.

In 2017, our investments in technology and innovation were distributed in the following manner:

INVESTMENT

BENEFITS

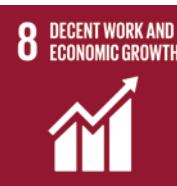
 <p><b>Customer service</b></p>	<p><b>MXN \$1,103 million</b></p>	<ul style="list-style-type: none"> <li>• Faster account opening processes</li> <li>• Multi-channel capabilities</li> <li>• Improved customer service response times</li> </ul>
 <p><b>Channels</b></p>	<p><b>MXN \$380 million</b></p>	<ul style="list-style-type: none"> <li>• Multi-step actions and derivative transactions between channels</li> <li>• Updated image, and functional and operational structure of the channels</li> </ul>
 <p><b>Risk management</b></p>	<p><b>MXN \$105 million</b></p>	<ul style="list-style-type: none"> <li>• Innovation in software and infrastructure for service incidents and vulnerabilities</li> </ul>
 <p><b>Financial inclusion</b></p>	<p><b>MXN \$18 million</b></p>	<ul style="list-style-type: none"> <li>• Financial inclusion for customers with no access to banking</li> </ul>
 <p><b>Customer security</b></p>	<p><b>MXN \$248 million</b></p>	<ul style="list-style-type: none"> <li>• Increased security for cardholders</li> </ul>
 <p><b>Internal processes</b></p>	<p><b>MXN \$539 million</b></p>	<ul style="list-style-type: none"> <li>• Compliance with regulatory and business requirements</li> <li>• Improved and simplified products for customers</li> <li>• Submission of traceable, stable and auditable data for regulatory reports</li> </ul>
 <p><b>Total investment</b></p>	<p><b>MXN \$2,393 million</b></p>	



## Accessibility

(102-10)  
This material references Disclosure 102-10 from GRI 102: General Disclosures 2016.

We have a range of branch alternatives, facilitating access to the products and services that we offer, in addition to driving the financial inclusion of low-income segments of the population.



**Goal 8.10:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



WE OFFER OUR CUSTOMERS AND USERS A RANGE OF CHANNELS THROUGH WHICH THEY CAN EASILY AND QUICKLY ACCESS THE GROUP'S PRODUCTS AND SERVICES:

WE HAVE



**1,375** branches,



**7,323** ATM's,



**20,546** correspondent banks,



**1** Contact Center






THAT ASSISTS, ON AVERAGE, 897,000 CUSTOMERS.

WE ALSO HAVE **DIGITAL PLATFORMS** THAT FACILITATED **MXN \$2,561 MILLION TRANSACTIONS** (SUPERNET, SUPERMÓVIL AND BANCA MÓVIL).



In 2017, of the total number of transactions undertaken by our correspondent banks, 41% corresponded to low-income segments, representing 1% of the Bank's total number of transactions.

### Transactional Channels

 <b>Contact Center</b>	Average Number of Customers per Month	<b>897,000</b>
	Percentage Increase in Customers compared to 2016	<b>4%</b>
	Total Transactions via Contact Center	<b>97,956,000</b>
	Percentage Increase in Transactions compared to 2016	<b>6%</b>
	Percentage of Transactions compared to Group Total in 2017	<b>3%</b>
Portfolio Recovery in 2017 (Millions of pesos)		<b>\$18,473</b>
 <b>Banca Móvil</b>	Total Transactions	<b>1,280,566,431</b>
	Percentage Increase in Transactions compared to 2016	<b>74%</b>
	Percentage of Transactions compared to Group Total in 2017	<b>40%</b>
	Number of Affiliated Customers	<b>2,951,624</b>
	Percentage Increase in Affiliated Customers compared to 2016	<b>50%</b>
Number of Active Customers		<b>1,990,810</b>
Percentage Increase in Active Customers compared to 2016		<b>45%</b>
 <b>SuperNet</b>	Total Transactions	<b>327,385,465</b>
	Percentage Increase in Transactions compared to 2016	<b>10%</b>
	Percentage of Transactions compared to Group Total in 2017	<b>10%</b>
	Number of SuperNet Users	<b>971,697</b>
Percentage Increase in Customers compared to 2016		<b>13%</b>
 <b>SuperMóvil</b>	Total Transactions	<b>953,180,966</b>
	Percentage Increase in Transactions compared to 2016	<b>118%</b>
	Percentage of Transactions compared to Group Total in 2017	<b>30%</b>
	Number of SuperMóvil Users	<b>1,508,196</b>
Percentage Increase in Customers compared to 2016		<b>67%</b>
 <b>Direct Deposits</b>	Total Direct Deposits in 2017	<b>88,675</b>
	Percentage Increase in Direct Deposits compared to 2016	<b>223%</b>

Transactional Channels

Total Branches	OXXO:	17,004
	Telecomm:	1,718
	7 Eleven:	1,824

OXXO: 28,282,517 million transactions at OXXO, 43% more than in 2016. Of the total number of transactions, 41% are made by low-income segments. 3,509,142 more transactions than in 2016. Percentage of Transactions compared to Group Total in 2017: 1%

Telecomm: 2,583,455 million transactions at Telecomm, 17% more than in 2016. Of the total number of transactions, 46% are made by low-income segments. 173,187 more transactions than in 2016. Percentage of Transactions compared to Group Total in 2017: 0.08%

7 Eleven: 1,590,382 million transactions at 7 Eleven, 42% more than in 2016. Of the total number of transactions, 39% are made by low-income segments. 182,326 more transactions than in 2016. Percentage of Transactions compared to Group Total in 2017: 0.05%

Total Transactions

Percentage of Transactions compared to Group Total in 2017:  
 Cash Deposits at Correspondent Banks vs. Bank: 40%  
 Credit Card Payments at Correspondent Banks vs. Bank: 20%



Correspondents



ATM's

Total Transactions	474,552,079
Percentage Increase in Transactions compared to 2016	5%
Percentage of Transactions compared to Group Total in 2017	15%



This material references Disclosure 102-10 from GRI 102: General Disclosures 2016.



**IN 2018, OUR COVERAGE WILL REACH MORE TOWNS AND CITIES, ADDING MORE CONVENIENCE STORES TO OUR NETWORK OF CORRESPONDENTS.**

102-10

In terms of inclusion for people with special conditions, we have ATM's with Braille keypads for people with low visual capacity. In 2017, we opened eight new branches to offer easy access to people with disabilities, including ramps, accessible and functional bathrooms and ample spaces for wheelchairs.



**86 branches** WERE REMODELLED.



**21 traditional and SME branches** WERE RELOCATED.



**6 conversions** IN SME.



**8 branches** WERE CONVERTED INTO SME BRANCHES.





## Financial inclusion



Tuiio is a financial inclusion program that marks a shift in the support provided to lower-income segments of the population. The main goal of this sustainable model is to drive a measurable social impact by providing tailor-made financial services and products to our customers, including productive credits, savings accounts, insurance products, and our network of branches, correspondent banks, ATM's, POS terminals and online banking resources.

Tuiio helps contribute to social progress as it offers our customers access to a financial education and training program, helping them to learn new skills and optimize the use of their resources.

Is a service model designed for segments of the population with limited or no financial inclusion, and one of its major differentiating factors is that it operates on a simple and user-friendly technology platform. The process begins with the creation of a fully digital account that customers can use without having to visit one of our branches, offering financial inclusion from the palms of their hands.

Tuiio was officially launched on December 20, 2017, and it has five spaces (customer service offices) located in the State of Mexico (Chalco, Chimalhuacán, Toluca, Valle de Chalco and Atizapán). It has 59 employees who successfully coordinated the first loans granted in Chalco and Valle de Chalco at the end of the year.

We are certain that this new operation will become a milestone in the sector, and we firmly believe that, in 2018, this value proposition will become further consolidated, enabling us to fulfill our goal.



### Campus Pay

In 2017, Banco Santander launched the first app in the country to help offer young people access to banking services, facilitating payments at their educational institutions using their smartphones. Mexico was the first country where the Group launched this innovative tool.

Campus Pay is a global program designed to help students, faculty and the rest of the college community become part of a digital environment that allows them to make payments on campus in an easy and simple manner. Thanks to this application, user can pay registration, tuition and exam fees, as well as purchasing products at stores, meals at food outlets, and even photocopies, within public and private universities.

## Customer ombudsman




(102-29, 418-1)





This material references Disclosure 102-29 from GRI 102: General Disclosures 2016; and Disclosure 418-1 from GRI 418: Customer Privacy 2016.

We value and look after our customers, which is why we have a Customer Ombudsman, a body that is entirely independent from the Group's operations. For 10 years, the Customer Ombudsman has offered our customers a transparent means of communicating and resolving problems relating to the Group's activities.

The Customer Ombudsman reports directly to the Board of Directors, which means that its decisions are indisputable.

Over the past 10 years, the Group has taken on board everything we have learned from the Ombudsman, using the following tools:

In 2017	
 Cases Received	1,407
 Cases Closed	1,408
 Cases Resolved in Favor of the Customer	1,104

Channel	Number of Cases
 Telephone	411
 E-mail	615
 In person	73
 Web	308

1. Tableau helps monitor customer participation in issues that are handled and resolved by the Customer Ombudsman.
2. NeoJúpiter compiles data that allows representatives from the Commercial and Personal Banking departments to understand which customers are or have been supported by the Santander Customer Ombudsman, in addition to what their complaints were and how they were resolved.

The Customer Ombudsman also provides the Board of Directors with quarterly reports containing statistical information about the cases handled. These reports help identify areas of opportunity for the Group based on the complaints filed by the customers regarding both products and customer service. It also provides the Board with an indirect manner of consulting stakeholders to help decision-making processes.

# Santander Employees

We are committed to providing sustainable and inclusive economic growth, full employment, and dignified working conditions for all. To achieve this, we offer safe working conditions that promote the holistic development of our employees, helping them achieve a healthy balance between their professional and personal lives.



## Employment

(102-8, 102-41, 202-2, 401-1, 405-1)

This material references Disclosures 102-8 and 102-41 from GRI 102: General Disclosures 2016; Disclosure 202-2 from GRI 202: Market Presence 2016; Disclosure 401-1 from GRI 401: Employment 2016; and Disclosure 405-1 from GRI 405: Diversity and Equal Opportunity 2016.

We provide dignified employment and growth opportunities for all our employees as we are aware that the Group's sustainability depends on it. We ended 2017 with a total of 17,826 employees, in addition to 3,534 outsourced staff, the majority of whom are tellers and do not encompass a significant part of the company's operations. 21% of our employees are part of a collective bargaining agreement, i.e., they are unionized, while 88% of our employees have fixed contracts.

**Goal 8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

  
WE HAVE  
**17,826 employees,**  
53% OF WHOM ARE WOMEN AND 24% OF WHOM ARE UNDER THE AGE OF 30.

  
**22 people**  
WITH PHYSICAL DISABILITIES WORK AT SANTANDER.

  
**21% of employees**  
ARE PART OF A COLLECTIVE BARGAINING AGREEMENT.

  
**29,764 training hours**  
IN CIVIL PROTECTION AND 802 DRILLS CARRIED OUT THROUGHOUT MEXICO.



### FEMALE EMPLOYEES:

**9,541**



### NEW HIRES

**2,318**



### TURNOVER RATE

**16.5%**



### DEPARTURES

**1,735**



### CONTRACT TYPE

Unionized	<b>2,254</b>
Non Unionized	<b>7,287</b>
Fixed contracts	<b>8,439</b>
Temporary contracts	<b>1,102</b>
Outsourcing	<b>1,932</b>



### EMPLOYMENT CATEGORY

Directors	<b>188</b>
Deputy Directors	<b>597</b>
Managers	<b>2,499</b>
Administrative and Operational Staff	<b>6,257</b>



### AVERAGE TRAINING HOURS

**46.5 hours**



### AGE RANGE

Under 30	<b>4,208</b>
Between 30 and 50	<b>4,918</b>
Over 50	<b>415</b>



This material references Disclosure 102-8 from GRI 102: General Disclosures 2016; Disclosure 202-2 from GRI 202: Market Presence 2016; and Disclosure 401-1 from GRI 401: Employment 2016.



**MALE EMPLOYEES:**

**8,285**



**NEW HIRES**

**1,988**



**TURNOVER RATE**

**18.4%**



**DEPARTURES**

**1,718**



**CONTRACT TYPE**

Unionized	<b>1,441</b>
Non Unionized	<b>6,844</b>
Fixed contracts	<b>7,321</b>
Temporary contracts	<b>964</b>
Outsourcing	<b>1,602</b>



**EMPLOYMENT CATEGORY**

Directors	<b>654</b>
Deputy Directors	<b>923</b>
Managers	<b>2,741</b>
Administrative and Operational Staff	<b>3,967</b>



**AVERAGE TRAINING HOURS**



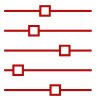
**48.08 hours**



**AGE RANGE**

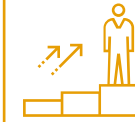
Under 30	<b>3,263</b>
Between 30 and 50	<b>4,281</b>
Over 50	<b>741</b>

78% of the directorship are occupied by men and 22% by women. Additionally, of our administrative and operational staff, 33.95% are under 30 years old and 21.18% are between 30 and 50.

	 WOMEN	 MEN			
			UNDER 30	BETWEEN 30 AND 50	OVER 50
Directors	<b>22%</b>	<b>78%</b>	<b>0.03%</b>	<b>3.48%</b>	<b>1.21%</b>
Deputy Directors	<b>39%</b>	<b>61%</b>	<b>0.88%</b>	<b>6.48%</b>	<b>1.17%</b>
Managers	<b>48%</b>	<b>52%</b>	<b>7.05%</b>	<b>20.46%</b>	<b>1.88%</b>
Administrative and Operational Staff	<b>61%</b>	<b>39%</b>	<b>33.95%</b>	<b>21.18%</b>	<b>2.23%</b>



This material references Disclosure 102-8 from GRI 102: General Disclosures 2016; Disclosure 202-2 from GRI 202: Market Presence 2016; and Disclosure 401-1 from GRI 401: Employment 2016.



**IN MEXICO, WE HAVE**

**2,362**

**senior executives**

**(DIRECTORS AND DEPUTY DIRECTORS), 95% OF WHOM ARE FROM THE LOCAL COMMUNITY WHILE 5% ARE FOREIGNERS.**

(202-2)

**401-1**




In 2017, we hired 4,306 new employees, representing a new hire rate of 24%. Of this total, 54% were women and 46% were men. Most of the new hires were women under the age of 30 (43.8%).

Employee departures are an integral part of the recruitment process, and our goal is to maintain a healthy employee turnover rate for the organization. In 2017, there were 3,453 employee departures (50% female and 50% male). Our turnover rate was 17.39%, 2.42% more than last year, which means that there were no significant changes to our workforce in 2017, nor were there any seasonal variables to be considered.

Furthermore, there were 3,636 employee promotions, 52% corresponding to women and 48% to men.






**NEW HIRES IN 2017**

	 WOMEN	 MEN	 TOTAL
Under 30	1,885	1,470	<b>3,355</b>
31-40	328	367	<b>695</b>
41-50	86	123	<b>209</b>
Over 51	19	28	<b>47</b>
<b>Total</b>	<b>2,318</b>	<b>1,988</b>	<b>4,306</b>



**EMPLOYEE DEPARTURES IN 2017**

	 WOMEN	 MEN	 TOTAL
Under 30	1,064	936	<b>2,000</b>
31-40	472	509	<b>981</b>
41-50	139	164	<b>303</b>
Over 51	60	109	<b>169</b>
<b>Total</b>	<b>1,735</b>	<b>1,718</b>	<b>3,453</b>

Employee management is undertaken using the People Soft system, which is coordinated by our Human Resources department, where regular reports are published to properly monitor new hires, employee departures, employee files and induction training, among others.

# Gender equality and human rights

(405-1)  
This material references Disclosure 405-1 from GRI 405: Diversity and Equal Opportunity 2016.

Santander believes gender equality is a fundamental Human Right, which is why it is protected, transmitted, safeguarded and embodied as a basic behavioral principle, both in terms of our operations and within our sphere of influence with key stakeholders. A summary of this process is outlined below:

5
GENDER  
EQUALITY

**Goal 5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

**WOMEN AT SANTANDER REPRESENT:**

- 22% of directorships**
- 61% of collective bargaining agreements,**  
55% OF OUTSOURCED STAFF  
53% OF FIXED CONTRACTS.
- 54% of new hires**  
IN 2017.
- 52% of promotions in 2017**
- WOMEN REPRESENT A TURNOVER RATE OF 9.7% the same level as men.**
- THERE IS ONE WOMAN ON THE BOARD OF DIRECTORS.**

**WE PROTECT**

---

Through:

- General Code of Conduct.
- Equality Policy.

**WE TRANSMIT**

---

- Employees: Training, Internal Communication, and Corporate Culture.
- External Audiences: Sustainability Report.

**WE EMBODY**

---

- Internal: Comité de Cultura Santander Way
- External: Products for Women: Mujeres Empresarias, Mujer Crezcamos and Select Me.

**WE SAFEGUARD**

---

- Comprehensive Complaint System.



842,125

training hours.

56%

of training hours

WERE OFFERED IN FACE-TO-FACE SESSIONS, WHILE 42% WERE E-LEARNING SESSIONS AND 2% WERE VIRTUAL CLASSES.

## Employee training

(404-1, 404-2)  
This material references Disclosures 404-1 and 404-2 from GRI 404: Training and Education 2016.

Employee training is a fundamental part of our operations. Thanks to the training sessions and courses that we offer, we have not only achieved excellent levels of customer service, but we have also become more profitable and sustainable. We strive to ensure that our employees are trained in all the necessary aspects of our company's daily operations.

In 2017, we invested a total of MXN \$147,621,881, training 99.4% of employees and providing 842,125 hours of training. On average, our employees received 47.2 hours of technical, regulatory or skill development training. The most frequent form of training was face-to-face sessions, representing 56% of total training hours.

AVERAGE TRAINING HOURS	WOMEN	MEN
Directors	33.3	32.4
Deputy directors	36.6	36.5
Managers	49.8	51.5
Administrative and Operational Staff	46.5	51.0
<b>Total</b>	<b>166.2</b>	<b>171.4</b>

COURSE TYPE	NUMBER OF TRAINING HOURS	COURSE DESCRIPTION
Technical	490,901	Focuses on driving expertise in the use of a tool and/or process to optimize an employee's daily activities.
Regulatory	313,591	Includes courses and certifications endorsed by authorities.
Management	37,633	Promotes the development of management skills that drive team work, help achieve goals, and meet our needs as human beings.



TRAINING HOURS BY FORMAT AND POSITION	FACE-TO-FACE	VIRTUAL CLASSES	E-LEARNING	TOTAL HOURS
Directors	18,382	647	8,444	<b>27,472</b>
Deputy Directors	32,478	1,644	21,456	<b>55,578</b>
Managers	140,687	7,490	117,587	<b>265,763</b>
Administrative and Operational Staff	281,284	4,581	207,448	<b>493,312</b>
<b>Total</b>	<b>472,830</b>	<b>14,361</b>	<b>354,934</b>	<b>842,125</b>

We offer our employees a range of different programs and training courses to help drive their professional development and improve their leadership, interaction and innovation skills. The following table shows the type and scope of the programs we have implemented, in addition to attendance and training hours.

PROGRAM	GOAL	EMPLOYEES	TRAINING HOURS
From Management to Leadership	Santander offers its female directors the tools they require to break cultural paradigms and meet the goals of our Bank.	19	<b>95</b>
Negotiation	A program to learn about and improve the negotiation process during the planning, implementation and evaluation stages.	289	<b>4,480</b>
Open Channel	This program demonstrates a new way to promote workplace relationships and prevent problems in day-to-day activities.	32	<b>640</b>
Project Management	This course allows employees to learn about all the stages of a project and put their negotiation skills into practice.	48	<b>1,744</b>
Integrated Talent Management	This program helps employees establish their role as a manager of people and teams, offering them the tools they need to improve their management capacity, develop their leadership skills, effectively coordinate activities, and help drive other people's development.	111	<b>2,760</b>



## Talent development and retention

(404-3)  
This material references Disclosure 404-3 from GRI 404: Training and Education 2016.

At Santander, we want our employees to be able to holistically develop their skills. To achieve this, we have two evaluation and monitoring tools that allow us to identify weaknesses or strengths, in addition to aligning our employees' business goals with those of Santander. Both the performance evaluation (DPO) and the 360° evaluation are carried out in 3 stages: Goal Setting, Quarterly Review, and Final Review.

### DPO EVALUATION

The DPO evaluation (Goal-Based Performance) is a model that allows us to evaluate, identify and develop our employees in a fair and equitable manner, based on their results and how they achieve them. It includes general performance, individual contributions to the goals of their area, and their behavior.

In 2017, 2,920 employees were evaluated using the DPO model, representing 16% of all employees. Of those evaluated, 47% were female and 53% were male. In terms of their posts, 13% were Directors, 25% were Deputy Directors, 35% were Managers, and 27% were Administrative and Operational Staff.

### 360° EVALUATION

The 360° evaluation is a qualitative tool that aims to help employees develop their personal and professional skills by having their corporate behavior evaluated by their superiors, employees or colleagues, helping them become more aware of their strengths and weaknesses.

In 2017, 10,333 employees were evaluated using this system, representing 58% of the total number of employees. Of those evaluated, 53% were female and 47% were male. In terms of their posts, 6% were Directors, 12% Deputy Directors, 34% Managers, and 48% were Administrative and Operational Staff.

EMPLOYEES EVALUATED DPO	WOMEN	MEN
Directors	<b>108</b>	<b>274</b>
Deputy Directors	<b>309</b>	<b>417</b>
Managers	<b>509</b>	<b>526</b>
Administrative and Operational Staff	<b>460</b>	<b>317</b>
<b>Total</b>	<b>1,386</b>	<b>1,534</b>

EMPLOYEES EVALUATED 360°	WOMEN	MEN
Directors	<b>151</b>	<b>464</b>
Deputy Directors	<b>507</b>	<b>682</b>
Managers	<b>1,706</b>	<b>1,821</b>
Administrative and Operational Staff	<b>3,082</b>	<b>1,920</b>
<b>Total</b>	<b>5,446</b>	<b>4,887</b>

## Balance between personal and professional lives

It is extremely important that our employees achieve a balance between their personal and professional lives. We are firm in our commitment to providing good and fair conditions for our employees, ensuring that they have the best possible quality of life.

Some of our programs include our flextime initiative, the goal of which is to promote optimal working conditions, better organize work activities, and use technology to become more flexible. In 2017, some 2,221 employees were benefitted by this program.

We also have the Becas Somos Santander scholarship program that offers the children of Santander Mexico employees the opportunity take part in undergraduate academic exchanges. These scholarships are for a total of MXN \$50,000, in addition to a contribution to airfare costs. In 2017, we granted 10 scholarships, providing students with the chance to participate in international exchange programs in two different semesters (January-June and August-December 2018).

We organized a children's drawing competition, with the participation of some 132 of our employees' children. We also awarded 85 certificates to employees based on years of service during the 2017 Semana Santander. The Comité de Cultura Santander Way monitors the activities that our Human Resources department has promoted and implemented, including:

- Modification of working hours on Fridays for branch employees. 6.30 pm is the maximum leaving time on a Friday.
- Implementation of breastfeeding rooms in our Torre Diamante and Santa Fe Headquarters, promoting the well-being of women during this stage of maternity.
- Promotion of a range of mentorship programs, in collaboration with the Culture Committee and the Human Resources department, to help promote the holistic development of our female and millennial employees.
- Creation of a Culture Blog by the Comité de Cultura Santander Way, the goal of which is to raise awareness of the programs being promoted by the Committee and serve as a space for employees to post their comments about cultural issues.



- Creation of an online uniform store, helping employees from our branches who need to wear a uniform to work. Uniforms for pregnant women are also now available.

In addition to these programs and initiatives, at Santander, we offer our employees special leave, free afternoons to celebrate their children's birthday, and the opportunity to leave early on Mother's Day, in addition to days off to focus on personal issues, adaptation periods for kindergarten, weddings, maternity and paternity leave for adoption, among others.

\* 85 certificates for 25 years of service, 51 for 30 years of service, 46 for 35 years of service, and 2 for 40 years of service.

## Workplace health and safety

(403-1, 403-3)

This material references Disclosures 403-1 and 403-3 from GRI 403: Occupational Health and Safety 2016.

Guaranteeing a healthy life and promoting the well-being of everyone is an important part of creating a prosperous society. At Santander, we offer a safe working environment, with no elevated risks to the health or well-being of our employees.



**Goal 3.d:** Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.



THE **BEHEALTHY PROGRAM** SEEKS TO **PROMOTE SPORT AND HEALTHY HABITS AMONG OUR EMPLOYEES**, HELPING THEM BECOME HEALTHY AND PROMOTING QUALITY OF LIFE:

**26,577 employees**

**WERE BENEFITED** BY A RANGE OF PROGRAMS IN 2017, INCLUDING: **APPOINTMENTS WITH NUTRITIONISTS, MEDICAL CHECK-UPS, VACCINES AND SPORTING EVENTS, AMONG OTHERS.**

### SAFETY (403-1 y 403-3)

Despite belonging to a sector that represents no major risks to our employees, at Santander, we focus on their holistic well-being. In 2017, we organized 802 drills, in which 11,721 people from 792 branches took part. 7,441 employees also received training in civil protection, with an average of four training hours each (29,764 hours in total).

Furthermore, we have internal and external committees that ensure we achieve this goal. The internal committees monitor everything relating to operational incidents, ATM's, property, branch expansion, commercialization, civil protection, health and safety, and our crisis management plan, while the external committees focus on the Asociación de Bancos de México (ABM) and state meetings.



Some of the most important committees in terms of safety at the Bank include:

- **Operational Incidents:**

This committee comprises the areas of Compliance, Financial Control, the Money Laundering Prevention Unit, Human Resources, Auditing, Commercial Banking–Network, IT Security, Prevention and Security, Private Banking, Business Banking, and Retail Banking.

Its function is to present relevant cases of operational incidents, UPLD (Money Laundering Prevention Unit), robberies at branches and ATM's, as well as the results of the product commercialization models and the advances being made in data security. It is also tasked with presenting the results of penalties levied by Human Resources with regard to auditing, operational incidents and UPLD. Thanks to our monitoring, we have seen advances in ARCO rights (Access, Rectification, Cancellation and Objection).



- **Crisis Management Plan:**

This committee comprises the areas of Credit, Payment Methods, Global Corporate Banking, Legal, Retail Banking, Financial Control, Technology, Commercial Strategy, Corporate Resources and Recovery, Operational Risk, Executive Capital Management, Financial Risks, and Business Center.

It focuses on providing an immediate response to crisis situations that affect employees, infrastructure, economic situations, and risks that are inherent to the Bank's operations, the impact of which could lead to a crisis situation with regard to the Bank's operations.

- **Civil Protection, Health and Safety:**

This committee comprises the areas of Labor Relations, Property, and Safety and Prevention. It focuses on compliance issues with regard to the Internal Civil Protection, Health and Safety program at the Bank's offices and branches.



## HEALTH – BEHEALTHY

The goal of the BeHealthy program is to promote sporting activities and healthy habits in order to achieve a better quality of life. The campaigns implemented as part of this program during 2017 are outlined below:

**26,577** beneficiaries  
INVESTMENT: MXN \$7,392,500



BEHEALTHY WEEK

**478** beneficiaries

MXN \$831,521

Tests to determine blood pressure, cholesterol levels, weight, size and BMI to offer employees a starting point to begin their journey to a healthier life.



HRA EVALUATION  
(HUMAN RELIABILITY ASSESSMENT)

**4,470** beneficiaries

MXN \$278,800

Employees were given the opportunity to identify, in a personal and confidential manner, their health risks.



WELL-BEING PORTAL

**18,673** beneficiaries

MXN \$294,500

A range of tools to help employees improve their lifestyle habits.




VACCINATION

**1,362** beneficiaries

MXN \$543,438


Flu vaccinations to help prevent the spread of this disease.



APPOINTMENTS WITH NUTRITIONIST

Improvements to the daily eating habits of our employees, and, if necessary, targets to help them lose weight.


**60 beneficiaries**  
MXN \$543,438



CONSULTANCY SERVICES FOR PENSIONERS

Services to help our retired workers better control their health through preventive medicine, including house visits from a Geriatric specialist, avoiding any unnecessary risk to these highly-vulnerable people.


**77 beneficiaries**  
MXN \$355,000



CHECK UP

Evaluation of the general health of our directors to detect any diseases that, based on their demographic risk factors (age and gender), could present themselves.


**133 beneficiaries**  
MXN \$3,818,933



BEHEALTHY RACE

An event held on June 10, 2017, to promote sporting activities and healthy habits to help improve quality of life.

**1,304 beneficiaries**  
MXN \$1,026,938



KARDIAS RACE


Employees and their families took part in the *Gran Fondo Kardias* race (a 130-km run and 80-km bike ride) to support Kardias A.C., an organization that helps children from low-income families who suffer from heart problems.

**50 participants**  
MXN \$75,000




## Allowances and Benefits

It is very important for us to be able to offer allowances and services that ensure that our employees and their families feel supported by Santander, providing them with access to health, safety, education and leisure benefits.




BENEFITS THAT EXCEED THOSE REQUIRED BY LAW

- Christmas Bonus equivalent to 40 days' work.
- Vacation leave of between 15 and 30 working days, depending on the number of years of service.



COMPREHENSIVE MEDICAL SERVICES

- Medical Network
- Plan 17 (employees who joined prior to August 2014)
  - External appointments
  - Dental
  - Prescription medicines
  - Laboratory and X-Ray services
  - Emergency room visits
  - Hospital services
  - Orthopedic devices and prostheses
- Plan 10 (employees who joined after August 2014)
  - Social security (IMSS)
  - Major medical insurance
  - Reimbursement scheme
  - International major medical insurance
  - Check-up (annually for directors)



LOANS

- Consumer (payroll, online, short-term)
- Mortgage (depends on years of service)





**LEAVE**

Paid and unpaid leave:

- Paternity (biological or adoption)
- Marriage
- Death of a close family member
- Adaptation period for kindergarten
- Afternoon off to celebrate children's birthdays

**ADDITIONAL**

- Financial support for breastfeeding
- Staff uniforms
- Discount at sporting facilities
- Christmas voucher
- Retirement savings fund
- Pension plan
- Performance bonus
- Cost-of-living allowance
- Canteen
- Transport (Santa Fe Headquarters)
- Parking (Santa Fe Headquarters)
- Allowance for eyewear
- Rent allowance
- BeHealthy program
- Discount program for schools and universities

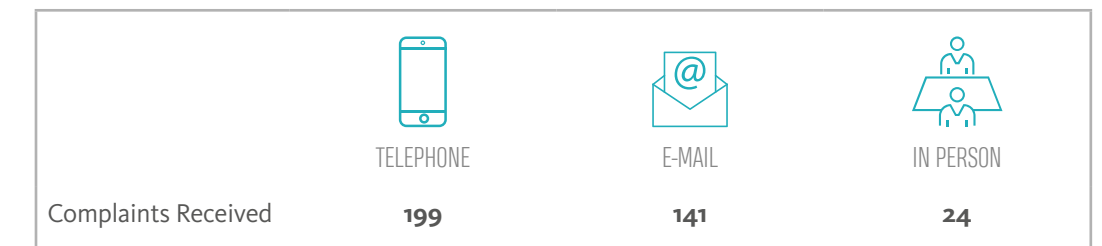
## Employee ombudsman

(102-29)

This material references Disclosure 102-29 from GRI 102: General Disclosures 2016.

Our employees are the driving force behind our business, and as part of our efforts to ensure full and productive employment, we have the Santander Employee Ombudsman, an independent body whose mission is to provide an alternative communication channel for employees, helping resolving conflicts or situations that could have an effect on the workplace rights of our employees.

The Employee Ombudsman also provides the Board of Directors with quarterly reports containing statistical information about the cases handled and resolved. These reports help identify areas of opportunity for the Group based on general labor practices. In 2017, the following cases were received:



The Employee Ombudsman is also the Secretary of the Comité de Cultura Santander Way. Through this committee, the Ombudsman promotes the diversity of ideas, proposals and realities of the Institution with the goal of consolidating a culture of equality in terms of labor relations, aligning the interests of the employees and those of their team and the Group in general.





This material references Disclosure 205-2 from GRI 205: Anti-Corruption 2016.

The Expenditure Management department, pertaining to the Corporate Resources and Recovery area, is tasked with defining, monitoring and assessing all procurement and third-party payment processes, with the support of Aquanima, the Group's centralized procurement center. There is also a local Procurement Committee, the goal of which is to identify risks associated with service provision or outsourcing during the contractual period with suppliers.

In 2017, the following joint initiatives were developed:

- Implementation of an Outsourcing Model and Third-Party Agreements (Suppliers). This framework develops and defines the principle of operational responsibility, and it sets out the benchmarks to be taken into consideration when entering into agreements with suppliers. The main goal of this model is to establish the principles that will govern the relationships between the Group's entities and their suppliers, from the outset to the termination of the contract, focusing especially on:
  - The decision to outsource new activities or services.
  - The supplier selection process.
  - The definition of the rights and obligations of each of the parties.
  - Service control and periodic reviews of agreements entered into with suppliers.
  - The termination of agreements.
  - This framework also outlines the responsibilities necessary, focusing on the segregation of duties to ensure proper risk identification, service control and monitoring within the Group.
- The use of Risk Calculators to identify relevant low, medium and high-level services.
- Inventory of relevant services with monitoring to ensure standardization between spending, criticality, service, levels, audits and PCN.

(205-2)

In 2017, 256 contracts were entered into with suppliers in Mexico. 100% of these contracts with Santander suppliers have a Social Responsibility Protocol clause that seeks to safeguard human rights, ensure fair labor practices, protect the environment, and fight against corruption.



The selection process for the suppliers with whom a contract was signed (an agreement to invest in and pay for the provision of a service or product) included a selection filter that encompasses the following areas, among others:

- Having a quality certification for the product or service they offer.
- Having an award or certification in areas of social responsibility (ESR, ISO 26000, etc.).
- Having a code of conduct or code of ethics.



**4% of our suppliers** ARE AFFILIATED WITH OR HAVE BEEN RECOGNIZED BY THIRD PARTIES IN AREAS OF SOCIAL RESPONSIBILITY OR SUSTAINABILITY.



SANTANDER MEXICO'S **INVESTORS** ARE ALL LEGAL ENTITIES (INSTITUTIONAL INVESTORS), WHILE ITS **SHAREHOLDERS** ARE ALL INDIVIDUALS (RETAIL). BOTH HAVE A **SHAREHOLDING POSITION WITHIN THE BANK.**



WE HAVE A RANGE OF **DIGITAL CHANNELS** (THE BSMX IR MOBILE APP AND WEBSITE) TO **KEEP OUR INVESTORS AND SHAREHOLDERS UP-TO-DATE**, FULFILLING OUR COMMITMENT TO **TRANSPARENCY.**

## Shareholders / Investors

At Santander, the dialog we maintain with our shareholders and investors focuses on on-going and transparent accountability, the implementation of best Corporate Governance practices, and the constant review and updating of our internal policies to ensure our operations fully comply with all applicable regulations.

At Santander Mexico, we are a registered issuer with the Securities and Exchange Commission (SEC), the New York Stock Exchange (NYSE), the Comisión Nacional Bancaria y de Valores (CNBV) and the Bolsa Mexicana de Valores (BMV), and we ensure full compliance with all communication and transparency criteria stipulated by the stock markets and regulators in each country.

For the fifth consecutive year, we have been included in the Sustainability index from the Bolsa Mexicana de Valores. This is the result of our commitment to the environment and society, in addition to our Corporate Governance and engagement with stakeholders.

We communicate relevant information to our shareholders and investors in a systematic, opportune, reliable and transparent manner through regulators (CNBV and SEC), the stock exchanges we are listed on (BMV and NYSE), and through our communication channels (website, app and mailing list). Any information that is to be published is presented for the authorization of the Disclosure Committee, whose policies were defined by the Corporate Practices Committee, which is composed of representatives from the following areas: Finance, Risk, Oversight, Legal, Communication and Marketing, among others.

The Disclosure Committee is tasked with defining the type of information that the markets should be informed of, in addition to the time and form in which said information should be published. There is also an event calendar, for both investors and shareholders, which ensures constant communication and the participation of these stakeholders at relevant events organized by the Group.

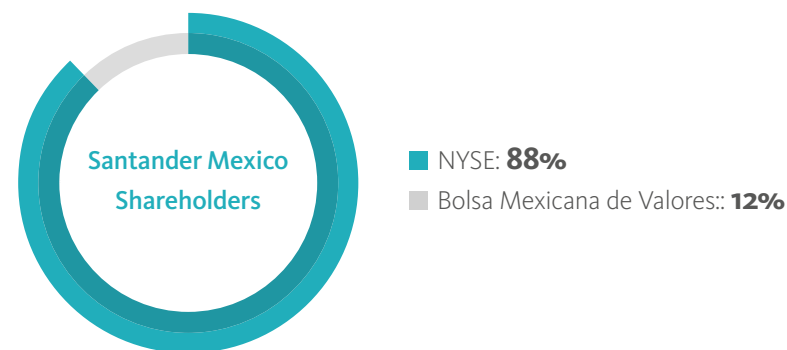
Some of the communication channels that are available for our shareholders and investors include mail, e-mail, e-newsletters, our website, our mobile app, financial reports (quarterly and annual) and informative events. These channels offer the following information:

- Market and share prices.
- Annual and quarterly results.
- Notices and agreements reached by shareholders assemblies.
- Roadshows and conferences.

The right to vote, no matter the scope of the legal entity or individual in question, is guaranteed every time there is a Shareholders Assembly. In accordance with applicable legislation, the call for an assembly can be special, ordinary or extraordinary in nature. An assembly is required once a year to approve the financial statements, the yearly report on business performance, and the appointment or ratification of members of the Board of Directors.

The notices for these Shareholders Assemblies are published at least 15 calendar days prior to the date of the assembly. To ensure attendance and compliance, the notices are published on the *Publicaciones de Sociedades Mercantiles* website, the shareholders website and sent out using our contact database. These notices are public, and all shareholders have the right to attend.

The decree for the payment of dividends to the company's shareholders is proposed and, if necessary, authorized by the company's General Shareholders Assembly, based on the financial results of previous years.



The rights of minority shareholders are guaranteed through the company's bylaws and the legislation applicable to the financial sector. All Santander's shareholders are treated equally, irrespective of the number of shares or percentage of votes they hold to pass a decision presented by the assembly.



IN 2017, **THE INVESTOR RELATIONS TEAM AT SANTANDER MEXICO WAS RANKED AS ONE OF THE TOP THREE INVESTOR RELATIONS TEAMS IN LATIN AMERICA**, ACCORDING TO A SURVEY CARRIED OUT BY THE **INSTITUTIONAL INVESTOR PUBLISHING HOUSE**.



IN 2017 **THE CORPORATE STRUCTURE OF GRUPO FINANCIERO SANTANDER MEXICO WAS MODIFIED TO COMPLY WITH REGULATIONS ISSUED BY THE EUROPEAN CENTRAL BANK**, BASED ON WHICH THE PARTICIPATION OF MINORITY SHAREHOLDERS IS ONLY TAKEN INTO CONSIDERATION FOR THE EFFECTS OF CONSOLIDATED CAPITALIZATION, WHEN THESE INVESTMENTS CORRESPOND TO ENTITIES THAT ARE AUTHORIZED TO RECEIVE RESOURCES THROUGH DEPOSITS AND WHOSE CAPITAL IS REGULATED.



IN 2018, OUR GOAL IS TO **ADOPT THE XBRL\* FORMAT FOR ANNUAL REPORTS SUBMITTED TO THE SEC AND CNBV**.

\*Extensible Business Reporting Language



## Authorities

We strive to maintain on-going support and communication with the regulatory authorities that define the regulations and laws that govern financial activities in Mexico and around the world.

The Internal Control and Oversight group is tasked with liaising, monitoring and resolving requests from federal authorities, such as CONDUSEF, the Secretaría de Hacienda y Crédito Público (SHCP), the Comisión Nacional Bancaria y de Valores (CNBV), the Secretaría de Economía (SE), and the Banco de México.

This team also verifies and ensures that the Group's operations are in compliance with all applicable legislation, and it is responsible for implementing the control measures necessary to mitigate reputational risks and administrative fines.

## Competitors

We are aware that ensuring healthy competition and transparency when publishing our results represents a major contribution to the financial sector. This is why we work alongside the Asociación de Bancos de México (ABM), the Banco de México and the Comisión Nacional Bancaria y de Valores (CNBV) to consolidate responsible practices and tools that help us exceed expectations.

Thanks to these measures, in addition to the conferences, talks and meetings organized, we can share the results and experiences that help us to reach the goals of the sector and ensure the growth of all the companies involved in this industry.

The CNBV and global regulations govern all activities and define the ethical and competitive parameters that regulate our participation on the stock exchange. They are also charged with regulating the operations of our directors and employees.

Our Legal department coordinates the requests this authority makes to the Bank, ensuring the legality and ethics of our financial activities at both a national and international level.







Ensure availability and sustainable management of water and sanitation for all.



Ensure access to affordable, reliable, sustainable, and modern energy for all.



Make cities and human settlements inclusive, safe, resilient and sustainable.



Take urgent action to combat climate change and its impacts.



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

# Environmental Sustainability

Being sustainable is to commit ourselves to drive an economy and operations that are respectful with the environment. Within our organization, we assess and control the resources we use and, in conjunction with our customers, any possible environmental risks associated with the authorization of a loan. This is how we promote a virtuous cycle that protects the environment.

## ENVIRONMENTAL MANAGEMENT SYSTEM (SGA)



IN 2017, OUR HEADQUARTERS IN SANTA FE **WERE SGA-RE-CERTIFIED**, AND WE WORKED ON MIGRATING TO THE NEW VERSION OF **ISO 14001:2015**.

## EFFICIENT OPERATIONS



**3% reduction**  
IN PAPER USED IN A YEAR-ON-YEAR COMPARISON.



**1,008 m<sup>3</sup> of water was recycled**  
AND REUSED FOR IRRIGATION AT OUR HEADQUARTERS IN SANTA FE.

## ENVIRONMENTAL AWARENESS



**100% of staff**  
AT OUR HEADQUARTERS IN SANTA FE RECEIVED **TRAINING ON OUR ENVIRONMENTAL MANAGEMENT SYSTEM AND POLICY**.

## LOAN EVALUATION BASED ON THE EQUATOR PRINCIPLES (EP)



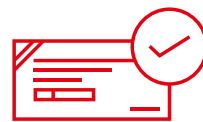
FINANCING WAS AUTHORIZED FOR THE **REYNOSA- ZUMA WIND FARM**  
**MXN \$11 billion**,  
BASED ON THE EVALUATION PARAMETERS OF THE **EQUATOR PRINCIPLES**.



# Environmental Management System



**Goal 13.2:** Integrate climate change measures into national policies, strategies and planning.



IMPLEMENTATION OF **ISO 14001:2015** IN CTOS AND PROYECTO Q BUILDINGS.



**34%** of our transactions WERE UNDERTAKEN USING **DIGITAL CHANNELS**.

Climate change presents major risks and opportunities for the competitiveness, growth and sustainable development of our company. At Santander, we are committed to generating solutions that enable us to create a sustainable and environmentally-friendly economy, and we strive to embody this commitment in our day-to-day activities.

We are aware of the importance of using natural resources carefully and implementing the measures necessary to better take advantage of them. That is why we monitor and control our energy, water and paper use and savings, in addition to the treatment and disposal of the waste and emissions we generate. We also provide our employees with access to training about Santander's environmental goals and policies.

As part of our efforts to help incorporate measures to combat climate change in our national policies, strategies and plans, the Property, Environmental Management and Energy Efficiency department compiles relevant information about resource use, in addition to creating and implementing measures that promote internal environmental sustainability.



SANTANDER'S ENVIRONMENTAL POLICY FOCUSES ON OUR COMMITMENT TO:

- ADOPTING PRACTICES THAT PROMOTE THE **EFFICIENT AND RESPONSIBLE USE** OF NATURAL RESOURCES AND MATERIALS TO HELP MINIMIZE THE GENERATION OF WASTE, POLLUTING EMISSIONS AND WASTE WATER STEMMING FROM OUR PRODUCTIVE PROCESSES.
- COMPLYING WITH ALL **ENVIRONMENTAL LEGISLATION** APPLICABLE TO OUR PRODUCTIVE, ADMINISTRATIVE AND SUPPORT SERVICE PROCESSES, IN ADDITION TO ANY OTHER REQUIREMENTS TO WHICH THE ORGANIZATION SUBSCRIBES.
- MAINTAINING OUR **COMMITMENT TO DRIVING ON-GOING IMPROVEMENTS** TO OUR ENVIRONMENTAL MANAGEMENT SYSTEM IN ORDER TO HAVE A POSITIVE IMPACT ON OUR ORGANIZATION'S ENVIRONMENTAL PERFORMANCE.

For 13 consecutive years, the Environmental Management System at our headquarters in Santa Fe has been ISO 14001 certified. This year, it has been recertified using the new 2015 version of this standard. This recertification process was the result of a number of major changes and improvements implemented during 2017, including:

- The integration of the requirements of the Environmental Management System into the organization's business processes.
- The active participation and promotion of those responsible for major processes, business and support areas.

# Efficient operations

Our daily operations have an impact on the environment, which is why we drive the efficient use of all resources, in addition to reusing and recycling materials and promoting innovations within our operations to balance and mitigate our environmental footprint.

## Emissions

(305-1, 305-2, 305-3)

This material references Disclosures 305-1, 305-2, 305-3 from GRI 305: Emissions 2016.

Greenhouse Gas emissions stemming from human activities help accelerate climate change. At Santander, we want to be part of the solution by improving energy efficiency, optimizing logistics and reducing the carbon footprint of our products, services and processes. Each year, we measure and monitor our emissions.

Our emissions in 2017 are shown in the following table:

Emissions (tCO <sub>2</sub> e)	Grupo Santander	Headquarters in Santa Fe
Direct Emissions (Scope 1) <sup>1</sup>	606.32 tCO <sub>2</sub> e	223.30 tCO <sub>2</sub> e
Indirect Emissions (Scope 2) <sup>2</sup>	86,518.08 tCO <sub>2</sub> e	4,331 tCO <sub>2</sub> e
Other Emissions (Scope 3) <sup>3</sup>	14,106.80 tCO <sub>2</sub> e	

<sup>1</sup>These emissions include those stemming from direct energy consumption (natural gas, LP gas and diesel) and correspond to Scope 1, as defined by the GHG Protocol. To calculate these emissions, the SEMARNAT 2015 emission factor ([http://www.dof.gob.mx/nota\\_detalle.php?codigo=5406149&fecha=03/09/2015](http://www.dof.gob.mx/nota_detalle.php?codigo=5406149&fecha=03/09/2015)) has been employed, in addition to calorific values from CONUEE 2017 ([https://www.gob.mx/cms/uploads/attachment/data/file/302306/Lista\\_de\\_combustibles\\_2018.pdf](https://www.gob.mx/cms/uploads/attachment/data/file/302306/Lista_de_combustibles_2018.pdf)). The Global Warming Potentials were also considered ([http://dof.gob.mx/nota\\_detalle.php?codigo=5404077&fecha=14/08/2015](http://dof.gob.mx/nota_detalle.php?codigo=5404077&fecha=14/08/2015) and <http://extwprleg1.fao.org/docs/pdf/mex148399.pdf>). The gases included in this calculation are CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. The calculation is based on emissions (683.88 tCO<sub>2</sub>e calculated using the SEMARNAT 2015 emission factor) for the preceding year (2016-base line) to simplify the accounting and data analysis process. There are no biogenic CO<sub>2</sub> emissions. No significant changes have been made to estimation methods. Operational control is the approach that has been used to consolidate GHG emissions.

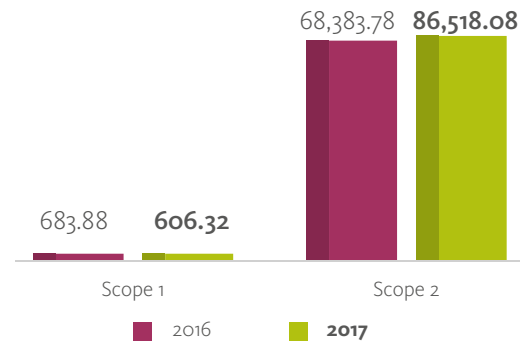
<sup>2</sup>These emissions include those stemming from electricity use and correspond to Scope 2, as defined by the GHG Protocol. The emission factor for electricity consumption when the supplier is the Comisión Federal de Electricidad was applied (0.582 tCO<sub>2</sub>e / MWh) for 2017, as published by SEMARNAT ([https://www.gob.mx/cms/uploads/attachment/data/file/304573/Factor\\_de\\_Emisi\\_n\\_del\\_Sector\\_El\\_ctrico\\_Nacional\\_1.pdf](https://www.gob.mx/cms/uploads/attachment/data/file/304573/Factor_de_Emisi_n_del_Sector_El_ctrico_Nacional_1.pdf)). The gas included in this calculation is CO<sub>2</sub>. The calculation is based on emissions (68,383.78 tCO<sub>2</sub>e) for the preceding year (2016-base line) to simplify the accounting and data analysis process. No significant changes have been made to estimation methods. Operational control is the approach that has been used to consolidate GHG emissions.

<sup>3</sup>These emissions include those stemming from employee transportation via car, plane (including national and international flights, quantified using the number of passengers and kilometers traveled) and commuting. The distribution of employees by transportation method has been undertaken based on estimates of the number of employees with parking spaces. Factors from the International Energy Agency (<https://www.iea.org/statistics/topics/CO2emissions/>) and DEFRA ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/650244/2017\\_methodology\\_paper\\_FINAL\\_MASTER.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/650244/2017_methodology_paper_FINAL_MASTER.pdf)) have been applied. The gas included in this calculation is CO<sub>2</sub>. The calculation is based on emissions (12,733.46 tCO<sub>2</sub>e) for the preceding year (2016-base line) to simplify the accounting and data analysis process. There are no biogenic CO<sub>2</sub> emissions. No significant changes have been made to estimation methods. Operational control is the approach that has been used to consolidate GHG emissions.

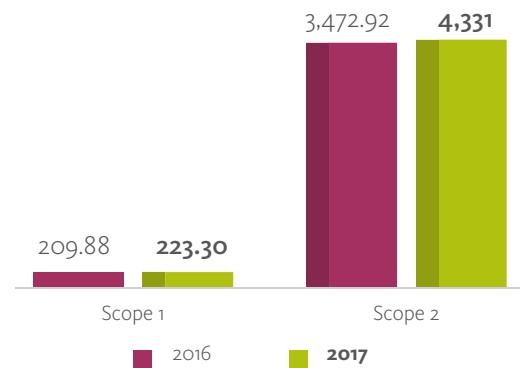


This material references Disclosures 305-1, 305-2, 305-3 from GRI 305: Emissions 2016.

### Grupo Santander Emissions



### Santa Fe Headquarters Emissions



Our total emissions for Scope 1 and 2 were 87,124.4 tCO<sub>2</sub>e, compared to the 69,022.66 tCO<sub>2</sub>e reported last year. This is an increase of 26%, which is the result of the growth of the Group.

We know that transportation is one of the largest generators of GHG emissions. At Santander, the sources of these emissions are individual transportation to work, commuting using public transport, and business trips, both by land and by plane.

However, we are striving to improve some of our practices. In 2017, we changed two employee transportation units for more up-to-date models, leading to a decrease of 7,598 kg of CO<sub>2</sub>.



## Energy Use and Savings

(302-1)  
This material references Disclosure 302-1 from GRI 302: Energy 2016.



**Goal 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.



**45% of the Group's total energy consumption WAS FROM EFFICIENT CO-GENERATION.**

At Santander, we know that sustainable energy is an opportunity to transform the quality of life, economy and well-being of the planet. That is why we strive, every single day, to contribute positively to this area. All our energy currently comes from non-renewable sources (fuels), allowing us to meet the demands of our operations. In 2017, our total energy consumption was 544,954,717 MJ. For our boilers and kitchen, we use LP (liquefied petroleum gas) and natural gas, which we prefer given the inherent environmental advantages. For lighting, air conditioning and electronic devices, we use electrical energy, which we monitor carefully every year through the monthly details our suppliers send us. In the event of power cuts, we use diesel at our back-up plants.

This material references Disclosure 302-1 from GRI 302: Energy 2016.



**DURING 2018, WE HAVE FORECASTED THAT 50% OF OUR ENERGY WILL COME FROM EFFICIENT CO-GENERATION.**



IN 2017, SANTANDER MEXICO CONSUMED **653,056 kWh less** ENERGY THAN IN 2016, WHICH IS THE EQUIVALENT OF THE ENERGY USED BY 395 MEXICAN HOUSEHOLDS IN A YEAR.

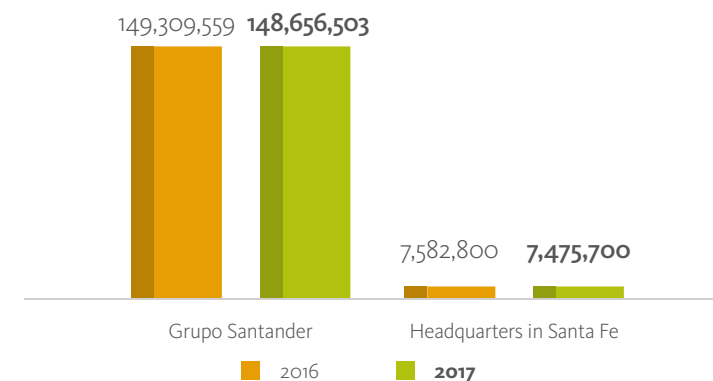
Our total electricity use in 2017 was 148,656,503 kWh (535,163,411 MJ), compared to the 149,309,559 kWh used in 2016, representing a decrease of 0.4%. The energy consumption used at Santander is outlined below:

### Energy consumption (MJ)\* by source and location

		Grupo Santander	Headquarters in Santa Fe
MOBILE SOURCES (Emissions Scope 1)	Diesel	1,156,101	180,135
	LP Gas	5,072,859	1,351,074
	Natural Gas	3,562,346	N/A
FIXED SOURCE (Emissions Scope 2)	Electricity	535,163,411	26,912,520

\*The consumption of natural gas, LP gas and diesel was calculated based on utility bills, which were converted into MJ using the calorific values published by CONUEE.  
[https://www.gob.mx/cms/uploads/attachment/file/302306/Lista\\_de\\_combustibles\\_2018.pdf](https://www.gob.mx/cms/uploads/attachment/file/302306/Lista_de_combustibles_2018.pdf)

### Electricity consumption (kWh)



Every day, we strive to implement strategies that enable us to reduce our energy consumption. In 2017, 45% of our total electrical energy came from an Efficient Co-Generation Project, coordinated by SKY EPS. The remaining 55% came from the energy mix employed by the CFE in the National Electrical Grid. We also adopted an energy index for our branch network with the goal of classifying high-consumption properties and implementing energy efficiency measures and programs.

We remodeled our Smart RED branches and installed LED lights, helping reduce energy consumption by 100.4 MWh. This is the equivalent of an average decrease of 9% in the amount of energy used by each branch for lighting.

## Water Use and Savings

(303-1)

This material references Disclosure 303-1 from GRI 303: Water 2016.



**Goal 6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



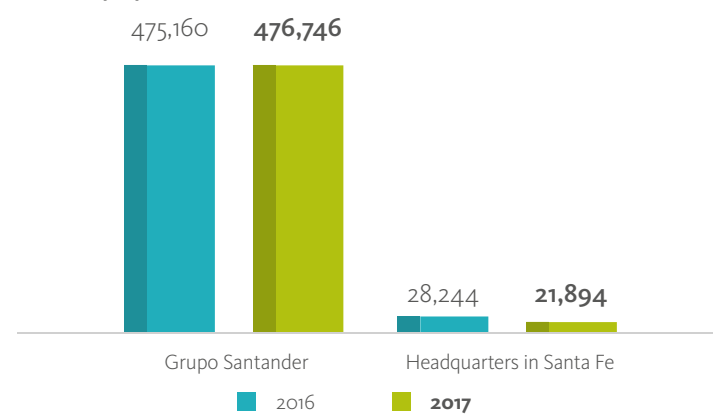
IN 2017, WE REDUCED WATER USE AT OUR HEADQUARTERS IN SANTA FE BY

**22%.**

Water is a vital resource for all of us, which is why we monitor our water use through our bi-monthly utility bills, in addition to implementing measures to use treated water in certain activities, helping ensure efficiency. This is how we are tackling the problem of future water shortages, and we are helping to considerably reduce the number of people affected.

In 2017, Santander's total water use, including our branches, was 476,746 m<sup>3</sup>, of which 9,113 m<sup>3</sup> was treated water from other organizations and 467,633 m<sup>3</sup> was from the local water supply.

Water use (m<sup>3</sup>)



\*Water use at branches is an estimate based on an average obtained from a representative sample.



At the end 2016, we installed 48 waterless urinals, which allowed us to use treated water for WC's and irrigation during the dry season in 2017. Thanks to these measures, the following reductions in water use have been achieved:

- Irrigation: 1,008 m<sup>3</sup> of potable water per year.
- WC: 1,392 m<sup>3</sup> of potable water per year.



## Paper Use and Savings

(301-1)

This material references Disclosure 301-1 from GRI 301: Materials 2016.



**Goal 15.2:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.



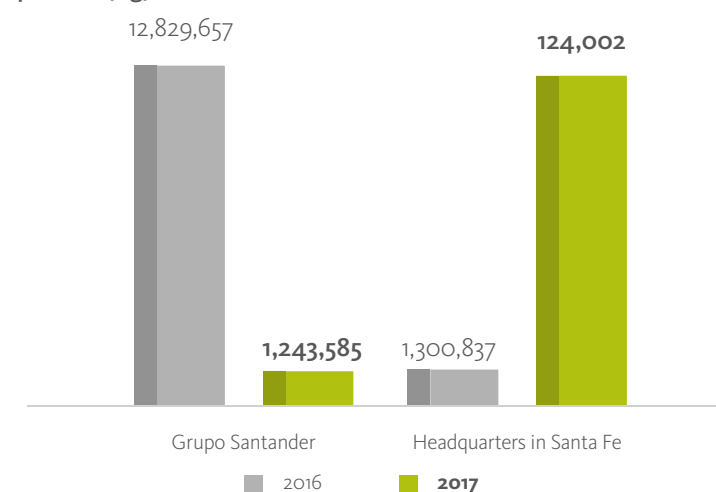
**82% of the paper** USED BY SANTANDER COMES FROM SUSTAINABLE FORESTS.

Paper plays an important role in our operations, given the sector we belong to. This is why we are committed to optimizing operations and choosing more environmentally-friendly options to achieve the sustainable management of all types of forests, eradicate deforestation, save degraded forests, and increase forestation and reforestation.

Thanks to our paperless campaign, we successfully reduced our paper consumption. All the paper we use comes from responsibly managed forests or is recycled. In 2017, the total weight of paper used by the Group was 1,243,585 kg, a 3% decrease compared to 2016.

Paper Use by Type (Kg)	Grupo Santander Total	Santa Fe Headquarters Total
Certified Paper	1,021,472.13 Kg	101,854 Kg
Recycled Paper	222,113.01 Kg	22,148 Kg
<b>Total</b>	<b>1,243,585.14 Kg</b>	<b>124,002 Kg</b>

Paper use (Kg)



IN 2017, SANTANDER MEXICO USED

**39,381 Kg** LESS THAN IN 2016.



THIS IS THE EQUIVALENT OF

**1,015 trees per year.**



1,015 TREES ARE CAPABLE OF ABSORBING

**115.12 tCO<sub>2</sub>e** PER YEAR.



## Waste Management

(306-2)

This material references Disclosure 306-2 from GRI 306: Effluents and Waste 2016.



**Goal 11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



**100% of the waste**

GENERATED BY OUR HEADQUARTERS IS CLASSIFIED AS **NON-HAZARDOUS**. THE **FINAL DISPOSAL METHOD** EMPLOYED IS **CONFINEMENT**.



At Santander, we are aware of the importance of correct waste disposal\*, management and treatment, and we are committed to reducing the environmental impact of this waste, in accordance with Sustainable Development Goal 11.6, concerning Sustainable Communities and Cities.

In 2017, the total amount of waste generated was 225,599 Kg, a 26% increase in a year-on-year comparison; however, this is due to the increase in the number of people employed by the Group.

Our commitment to the environment is reaffirmed through a range of measures including programs to correctly separate and dispose of paper, cardboard, packaging and glass. For example, at our headquarters in Santa Fe and Saqqara in Monterrey, we installed containers within the modules and recycling stations to promote proper waste disposal and optimize the life cycle of the materials and/or products. In terms of cleaning and maintenance, we use biodegradable and environmentally-friendly products, in addition to properly disposing of all waste generated.

\*The waste disposal method has been undertaken in accordance with the information provided by our waste disposal service supplier. Estimation was employed for branches where no direct measurements of waste are available.

Waste (Kg)	Grupo Santander	Headquarters in Santa Fe
PET	61,771 Kg	7,090 Kg
Glass	6,749 Kg	776 Kg
Paper and Cardboard	157,078 Kg	18,036 Kg
<b>Total Kg</b>	<b>225,599 Kg</b>	<b>25,902 Kg</b>



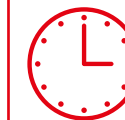
- Paper and Cardboard (Kg): **70%**
- PET (Kg): **27%**
- Glass (Kg): **3%**

\*All waste generated at Santander Mexico is classified as non-hazardous.

## Environmental awareness



**Goal 13.3:** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



**2,020 trainings hours**

REGARDING THE **ENVIRONMENTAL POLICY** AT OUR HEADQUARTERS IN SANTA FE.

At Santander, keeping our employees, suppliers and contractors up-to-date with the changes, updates and new strategies to be implemented in terms of the environment is fundamentally important. We strive to helraise environmental awareness, offering training courses in this area.

In 2017, we updated our Environmental Management System Compliance Course at our headquarters in Santa Fe to incorporate the new version of ISO 14001:2015. This course includes environmental risk, life cycles and sustainability.







THROUGH AQUANIMA, WE TRAINED OUR SUPPLIERS IN:

WASTE MANAGEMENT

**62 training hours**  
AND 31 PEOPLE.

SUSTAINABLE CONSTRUCTION USING PET BRICKS

**186 training hours**  
AND 31 PEOPLE.



WE TRAINED OUR SUPPLIERS AND CONTRACTORS IN THE PROPER USE OF NATURAL RESOURCES, MATERIALS AND/OR SUPPLIES, PROMOTING A FOCUS ON SUSTAINABILITY, LIFE CYCLE AND ENVIRONMENTAL RISK.

**7 suppliers,**  
**126 training hours**  
AND 126 PEOPLE.

ENVIRONMENT AND MAINTENANCE COORDINATORS TOOK PART IN THE FOLLOWING COURSE:

**“Corporate Eco-Efficiency at Financial Institutions”**

THIS COURSE IS COORDINATED BY THE UNITED NATIONS ENVIRONMENT PROGRAM – FINANCE INITIATIVE (UNEPFI).

**3 PEOPLE.**

We are proud to report that we offered 2,020 training hours regarding the Environmental Policy at our headquarters in Santa Fe, 529 more hours than last year. This has enabled us to raise awareness among our employees of the importance of complying with and promoting environmental measures.

**Training in Environmental Policy at Santander’s Headquarters**



	Training Hours Men	Training Hours Women	Total Training Hours
Directors	288	89	377
Deputy Directors	338	262	599
Managers	387	372	759
Administrative and Operational staff	126	158	285
<b>Total</b>	<b>1,139</b>	<b>881</b>	<b>2,020</b>

Other measures we implemented to inform and train employees include:

- The promotion of good office practices with regard to the use of electricity and potable water through messages on the Comunica platform and during awareness talks.
- The publication of articles about the environment on our News Portal, including:
  - Reflections on the Use of Fossil Fuels.
  - Promotion of Efficient Energy Use.
  - Responsible Water Use.
  - A World without Paper.
  - Waste Separation.
  - The New Waste Separation Policy in Mexico City.
  - Environmental Contingency.

- The launch of the Efficient Resource Use (water, electricity and paper) campaign via the Comunica platform. Employees were invited to promote the efficient use of these resources.
- Stickers in the bathrooms at our headquarters in Santa Fe, inviting employees to save water and report leaks.

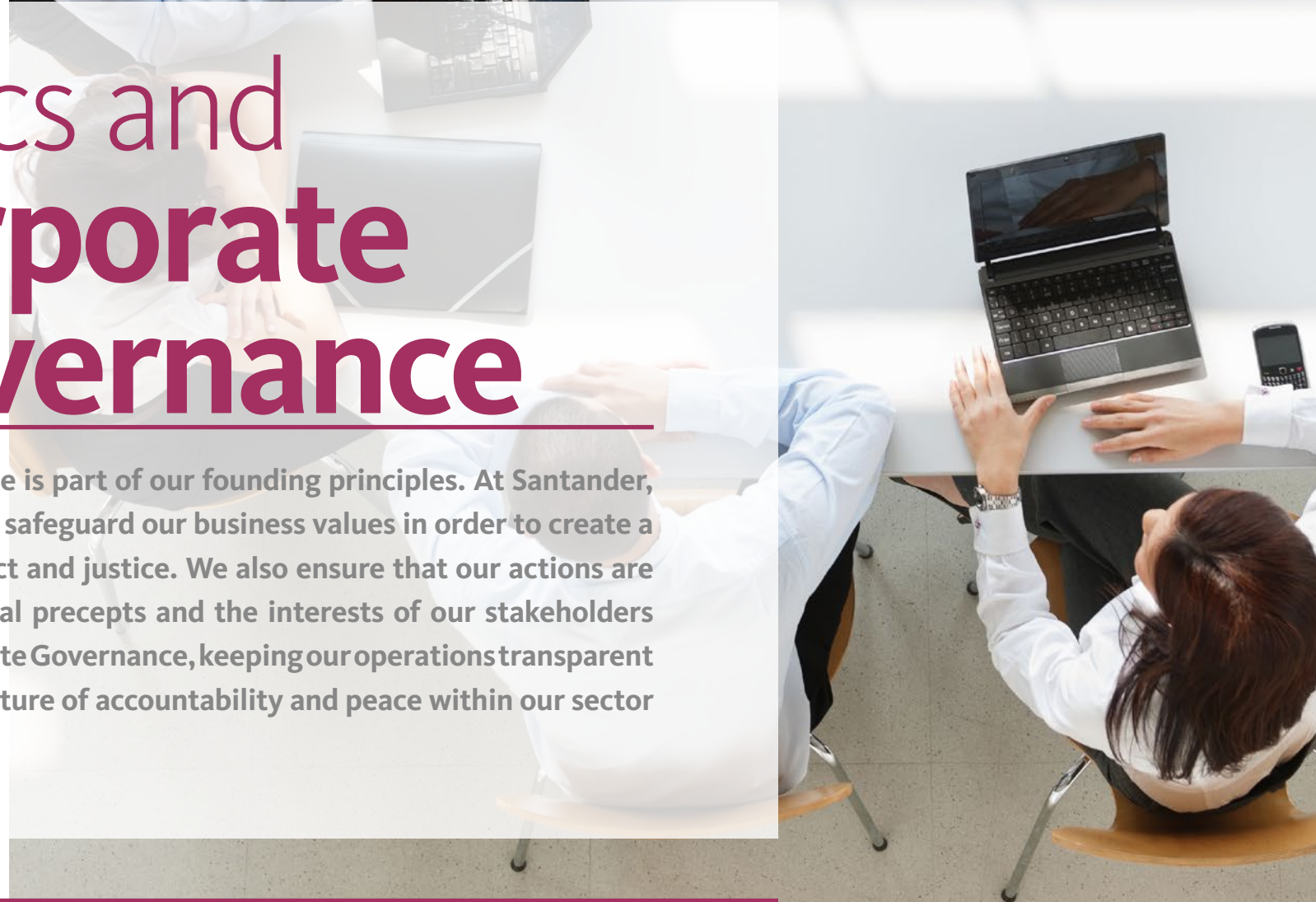






# Ethics and Corporate Governance

Being sustainable is part of our founding principles. At Santander, we promote and safeguard our business values in order to create a culture of respect and justice. We also ensure that our actions are aligned with legal precepts and the interests of our stakeholders through Corporate Governance, keeping our operations transparent and driving a culture of accountability and peace within our sector and in Mexico.



## CORPORATE GOVERNANCE



**64%** OF OUR BOARD MEMBERS ARE INDEPENDENT.



**22%** of the Group's directors ARE WOMEN.



**100%** OF OUR BOARD MEMBERS COMPLETED A PERFORMANCE SELF-EVALUATION IN 2017.

## BUSINESS ETHICS



**46,958** training hours

IN AREAS RELATING TO ETHICS AND THE GROUP'S LEGAL AND COMPLIANCE PRINCIPLES.



**99%** of employees EMPLOYEES RECEIVED SPECIFIC ANTI-CORRUPTION TRAINING.



IN 2017, WE IMPLEMENTED A NEW COMPREHENSIVE COMPLAINT SYSTEM.

## CORPORATE CITIZENSHIP



WE ARE A MEMBER OF 5 ASSOCIATIONS, COMMITTEES AND GROUPS WITHIN THE FINANCE SECTOR IN MEXICO.

FOR 5 CONSECUTIVE YEARS, WE HAVE BEEN PART OF THE BMV'S SUSTAINABILITY INDEX (IPC).

FOR 13 CONSECUTIVE YEARS, WE HAVE BEEN CERTIFIED AS A SOCIALLY RESPONSIBLE COMPANY (ESR).



# Corporate Governance

This material references Disclosures 102-1, 102-7, 102-10 and 102-45 from GRI 102: General Disclosures 2016.

Institutional strength is of key importance in contributing to the creation of a peaceful and inclusive society. At Santander, we strive to be an institution that not only complies with all applicable regulations and laws in the country, but also an institution that develops mechanisms to promote a culture of transparency and accountability. Through its Corporate Governance, the Group designs and deploys strategies to help ensure compliance. Our Corporate Governance structure makes us more efficient and more transparent.

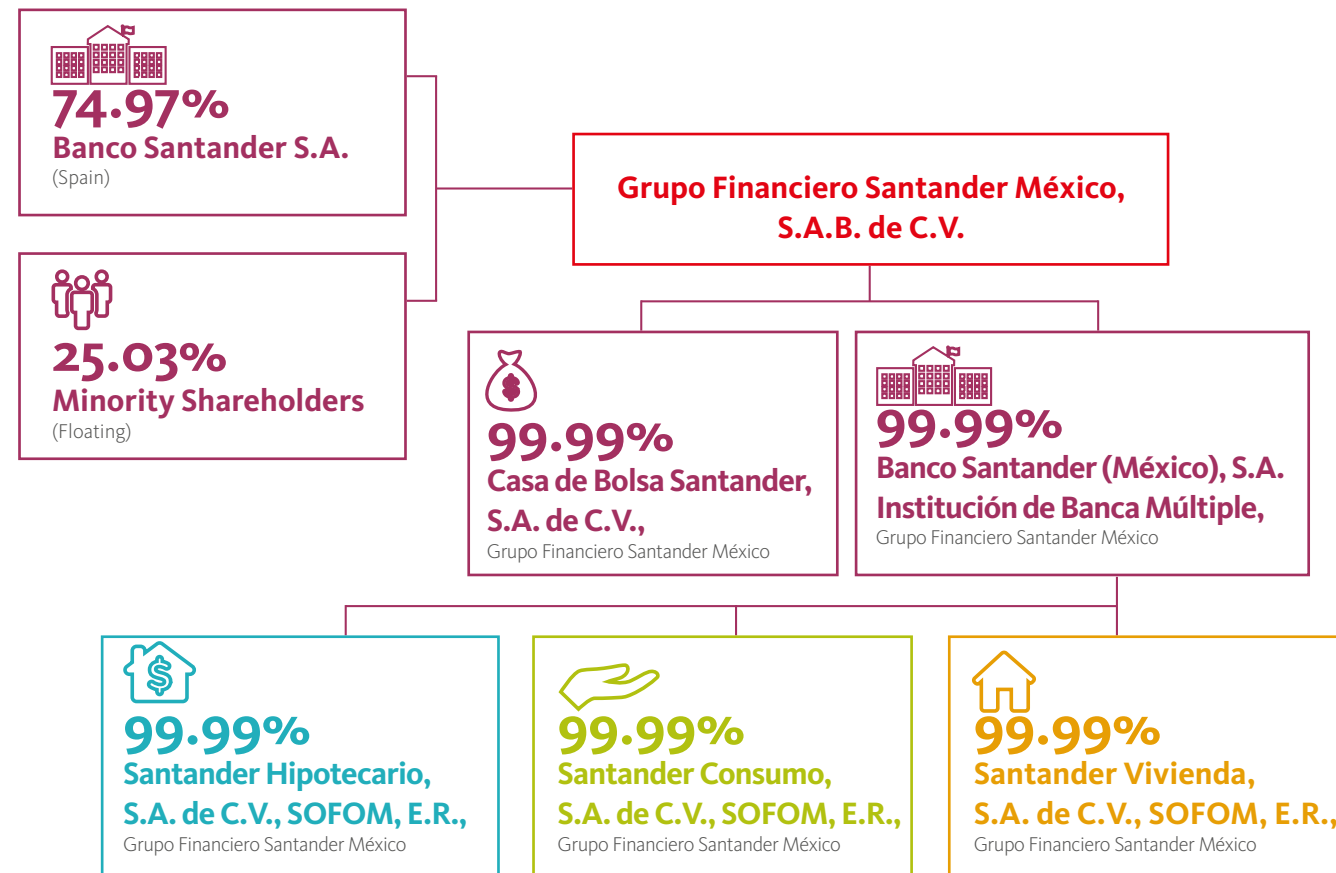
Our Corporate Governance structure focuses on safeguarding the rights of our shareholders and providing opportune, transparent and accurate information about the business. It is composed of the General Shareholders Meeting, as

well as the Board of Directors and its respective Committees, which, together, are the groups responsible for decision-making within the Group.

We have a team of committed and professional board members who have clear goals and experience. The Board of Directors and its Committees exercise their faculties to review, authorize and monitor guidelines that ensure the Group's operations are ethical and transparent. This is how we guarantee optimal resource management and safeguard the trust placed in us by our stakeholders.

At each meeting of the Board, material issues are evaluated, in addition to their impact, risks and opportunities. All agreements reached are recorded in minutes, ensuring that the board follows up on each of the corresponding actions. This promotes the monitoring and implementation of the guidelines issued by the Board regarding economic, ethical, social and environmental issues that are relevant to the Group's sustainability.

(102-7, 102-45)  
Stock Structure of Grupo Financiero Santander México, S.A.B de C.V.



This material references Disclosures 102-1, 102-10 from GRI 102: General Disclosures 2016.

In 2017, major changes were made to the structure of the Group. On December 8, 2017, the shareholders of the Bank approved the merge of the Former Holding Company with and into the Bank, with the Bank as the surviving company (the "Merger"). The Bank and the Former Holding Company entered into a merger agreement, which became effective exclusively between the parties and for accounting purposes as of January 1, 2018 pursuant to Mexican law. On January 26, 2018, upon the filing of the resolutions of the shareholders of the Bank and the Former Holding Company approving the merger and the filing of the merger agreement with the Public Registry of Commerce in Mexico, the Merger became effective before third parties. Immediately, Banco Santander Parent contributed all of the shares of the Bank held by it as a

result of the Merger to a new holding company, Grupo Financiero Santander México, S.A. de C.V., and the Bank sold all of the shares of Casa de Bolsa held by it as a result of the Merger to its new holding company, Grupo Financiero Santander México, S.A. de C.V.

The corporate restructuring of Grupo Financiero Santander México was modified to comply with regulations issued by the European Central Bank, based on which the participation of minority shareholders is only taken into consideration for the effects of consolidated capitalization, when these investments correspond to entities that are authorized to receive resources through deposits and whose capital is regulated.



## Board of Directors

This material references Disclosures 102-18, 102-19, 102-22, 102-23, 102-24, 102-28, 102-29, 102-30, 102-31 and 102-35 from GRI 102: General Disclosures 2016; and Policies with Specific Environmental and Social Components Applied to Business Lines FS: Sector Supplement for Financial Services GRI G4 2013.

The Board Members of Grupo Financiero Santander México S.A.B. de C.V. have faculties that cover the Group's economic, environmental, ethical, fiscal and social activities; however, they also have wide-ranging experience in the financial sector. This is the main selection criteria for their appointment, which is made by the General Shareholders Assembly. Their tenure is ratified on an annual basis, allowing the Group to achieve a critical and extensive overview to evaluate the most relevant areas of its operations and sustainability.

(102-24)

The processes for selecting and appointing members of the Board, Committees and Management Team meet strict legal criteria, which help accredit the technical quality, honorability, legal, financial and/or administrative experience and knowledge of their members. This evaluation consists of a detailed analysis of their professional experience. Stakeholders (including shareholders) are involved in this process, evaluating criteria such as diversity, independence, knowledge and experience in economic, environmental and social issues.

The appointment process for Board Members begins with a proposal from the Local Nominations Committee, which is then validated by the Nominations Committee in Spain. The nomination is then put to a vote at a Special Shareholders Assembly. In Mexico, there is no defined period for board members; this depends on their performance and the evaluation carried out by the Shareholders Assembly. The Board of Directors assigns members to the Board's Committees.



This material references Disclosures 102-22, 102-24, 102-28 and 102-35 from GRI 102: General Disclosures 2016; and Disclosure 405-1 from GRI 405: Diversity and Equal Opportunity 2016.



DURING 2017

**5 sessions**

OF THE **BOARD OF DIRECTORS** WERE HELD ON THE FOLLOWING DATES: JANUARY 26, APRIL 27, JULY 27, SEPTEMBER 22 AND OCTOBER 26.

64% of our Board Members are independent, and no Board Member holds a post or has commitments with other companies that represent a conflict of interest for the Group. Furthermore, we have not identified any under-represented groups or focus on a specific group of stakeholders. Of the 17 Board Members, 94% are over the age of 50, with the remaining 6% aged between 30 and 50 years of age. 94% of Board Members are men and there is one woman, representing 6% of the Board of Directors. In 2017, there were five changes to the Board compared to the previous year:

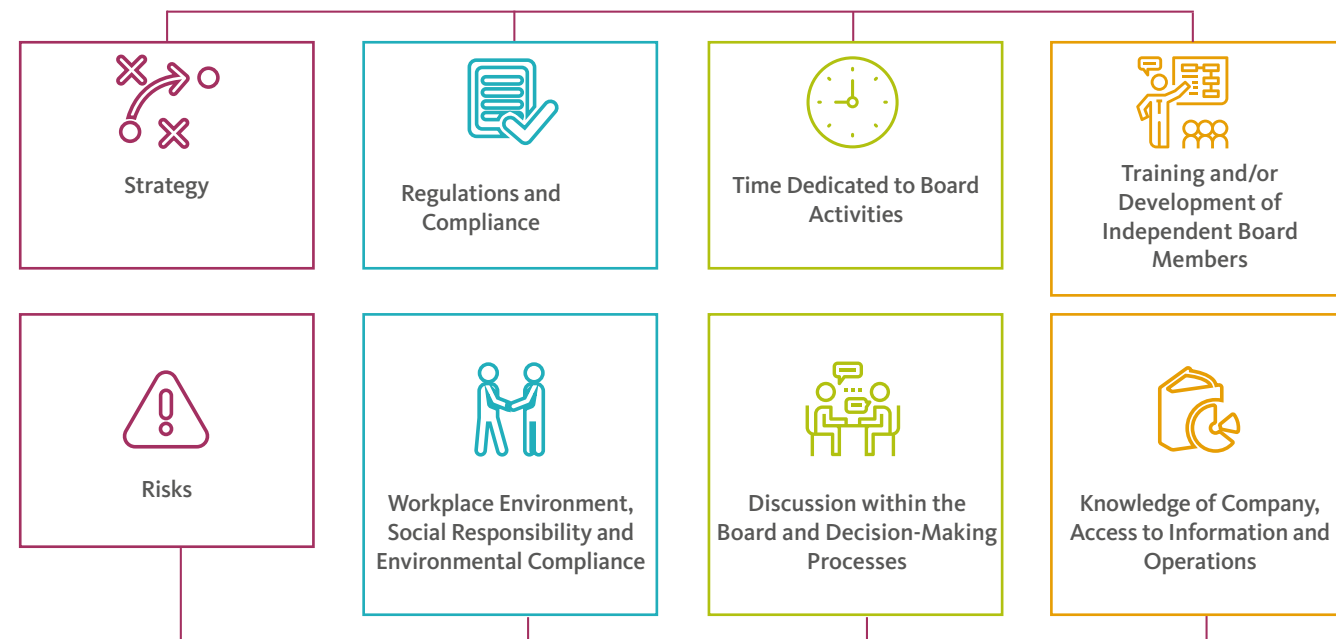
- Mr. Juan Gallardo Thurlow was appointed Independent Alternate Board Member (F Series).
- Messrs. Mr. Rodrigo Brand de Lara and Mr. Ángel Rivera Congosto were appointed Non-Independent Alternate Board Members (F Series).
- Messrs. Mr. Francisco Javier Hidalgo Blázquez and Mr. Pedro José Moreno Cantalejo resigned from their posts as Board Members.

(102-28)

In 2017, 100% of the Board Members completed a performance self-evaluation, which focused on the following areas: strategy, information quality, session, workplace, social and environmental dynamics.

One of the areas of opportunity identified as a result of these evaluation processes within the Board of Directors was the creation of a website that has been specially designed for the Board. It can only be accessed by members who have been authorized to view documentation that will be discussed and approved during upcoming meetings, in addition to serving as an archive for information and agreements.

The evaluation of members of the Board and the internal equity studies form the basis for setting the compensation packages for directors and Board Members, while the competitiveness of salaries is guaranteed through a benchmarking process. The application of individual compensation schemes is carried out by the Evaluation Committee. For further information about the salaries of directors and Board Members, please consult [here](#).





With the aforementioned changes, the Board of Directors is comprised of the following members:

Independent Proprietary Board Members (F SERIES)	Executive or Non-Executive	Date of Appointment	Years on the Board	Age	Committee Members
D. Guillermo Güemez García	Non-Executive	14/05/2012	5 years	76 years	CAIR
D. Joaquín Vargas Guajardo	Non-Executive	19/02/2009	8 years	64 years	CAIR
D. Antonio Purón Mier y Terán	Non-Executive	19/02/2009	8 years	64 years	CA, CPSNC, CR

Independent Alternate Board Members (F SERIES)	Executive or Non-Executive	Date of Appointment	Years on the Board	Age	Committee Members
D. Juan Gallardo Thurlow	Non-Executive	13/04/2013	5 years	70 years	
D. Eduardo Carredano Fernández	Non-Executive	21/04/1997	20 years	66 years	CA, CPSNC, CR
D. Jesús Federico Reyes Heróles González Garza	Non-Executive	19/02/2009	8 years	65 years	CPSNC

Non-Independent Proprietary Board Members (F SERIES)	Executive or Non-Executive	Date of Appointment	Years on the Board	Age	Committee Members
D. Marcos Alejandro Martínez Gavica	Non-Executive	21/04/1997	20 years	64 years	CAIR, CR
D. Héctor Grisi Checa	Executive	25/11/2015	2 years	51 years	CAIR, CR
D. Rodrigo Echenique Gordillo	Executive	28/04/2015	2 years	71 years	



Non-Independent Alternate Board Members (F SERIES)	Executive or Non-Executive	Date of Appointment	Years on the Board	Age	Committee Members
D. Rodrigo Brand de Lara	Executive	14/05/2012	4 years	45 years	CAIR
D. Vittorio Corbo Lioi	Executive	14/05/2012	5 years	74 years	
D. Ángel Rivera Congosto	Executive	25/11/2015	2 years	51 years	

Independent Proprietary Board Members (B SERIES)	Executive or Non-Executive	Date of Appointment	Years on the Board	Age	Committee Members
D. Fernando Benjamín Ruíz Sahagún	Non-Executive	27/11/2003	14 years	75 years	CA, CPSNC, CR
D. Alberto Torrado Martínez	Non-Executive	19/02/2009	8 years	55 years	CPSNC, CAIR
D. Gina Lorenza Díez Barroso Azcárraga	Non-Executive	25/04/2014	3 years	63 years	

Independent Alternate Board Members (B SERIES)	Executive or Non-Executive	Date of Appointment	Years on the Board	Age	Committee Members
D. Enrique Krauze Kleinbort	Non-Executive	25/02/2010	6 years	69 years	
D. Guillermo Francisco Vogel Hinojosa	Non-Executive	05/12/2016	1 year	67 years	





This material references Disclosure 102-22 from GRI 102: General Disclosures 2016.

Executive Officers	Executive Posts	Committee Members
Héctor Grisi Checa	Executive President and CEO	CAIR,CR
Fernando Borja Mujica	General Director, Legal	CAIR,CR
Emilio de Eusebio Saiz	General Director, Intervention and Management Control	CAIR,CR
Roberto d'Empaire Muskus	General Director, Risks	CAIR,CR
Jorge Arturo Arce Gama	General Director, Global Corporate Banking	CAIR
Rodrigo Brand de Lara	General Director, Studies, Strategies, Public Affairs and President's Chief of Staff	CAIR
Pablo Fernando Quesada Gómez	General Director, Institutions and Business Banking	
Jorge Alberto Alfaro Lara	General Director, Products	
Juan Ramón Jiménez Lorenzo	Executive Director, Internal Auditing	CAIR,CR
Juan Pedro Oechsle Bernos	General Director, Channels and Distribution	
Enrique Luis Mondragón Domínguez	General Director, Technology, Operations and Human Resources	CR
Didier Mena Campos	General Director, Finance	CAIR
Alejandro Diego Cecchi González	General Director, Customers	
Carlos Hajj Aboumrad	General Director, Corporate Resources and Recovery	
Javier Alejandro Chávez Ruíz Breen	Executive Director, Innovation	

\*CA (Audit Committee); CR (Compensation Committee); CAIR (Risk Management Committee); CPSNC (Corporate Practices, Nomination and Compensation Committee).

This material references Disclosure 102-22 and 102-23 from GRI 102: General Disclosures 2016.

#### MR. MARCOS ALEJANDRO MARTÍNEZ GAVICA

Chairman of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He was Executive President and Chief Executive Officer of Banco Santander (Mexico) from 1997 to 2016. He was the Chairman of the Asociación de Bancos de México, A.C. from 2005 to 2007 and from 2017 to 2018. He holds a degree in Chemical Engineering from Universidad Iberoamericana and a Master's in Administration with a specialty in Financial Planning from Instituto Panamericano de Alta Dirección Empresarial.

#### MR. HÉCTOR GRISI CHECA

Member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He is the Executive President and Chief Executive Officer of Banco Santander (Mexico). He was Executive President and Chief Executive Officer of Credit Suisse Mexico from 2001 to 2015, having joined the company in 1997. From 2011 to 2014, he was one of the four Vice-Presidents of the Asociación de Bancos de México. He holds a degree in Finance from Universidad Iberoamericana, where he graduated with honors.

#### MR. RODRIGO ECHENIQUE GORDILLO

Member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. From 1999 to 2014, he served as a member of the Board of Directors and of the Executive Committee of Banco Santander Parent, and he was Executive Vice-President of Banco Santander (Parent). He has served on the Boards of Directors of numerous industrial and financial companies. He has been a member of the Executive Commission and of the trust of the Banco Santander Foundation, as well as being involved in other pro-bono organizations. He has held several senior posts at Banco Santander (Parent). He holds a degree in Law from Universidad Complutense de Madrid.

#### MR. RODRIGO BRAND DE LARA

Member of the Board of Directors of Grupo Financiero Santander Mexico, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He has been the General Director of Research, Public Affairs and Marketing at Banco Santander Mexico since 2011. In 2010, he was the Director of the Social Communication Division of the Secretaría de Relaciones Exteriores (SRE). From 2006 to 2010, he was the head of the Social Communication Unit and Institutional Spokesperson for the SHCP. From 2004 to 2006, he served as Director of Social Communication and Institutional Engagement for IPAB. At the beginning of his career, he was an Economist at the Mexican desk at Deutsche Morgan Grenfell. He holds a degree in Economics from ITAM.

#### MR. VITTORIO CORBO LIOI

Member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He is a senior researcher at the Centro de Estudios Públicos in Santiago, Chile. From 2011 to 2014, he was a member of the Board of Directors of Banco Santander (Parent), Banco Santander Chile and other companies in Chile. He is a financial consultant at several companies and an adviser to the World Bank, the IMF and Centro para la Investigación Social y Económica. From 2003 to 2007, he was President of the Central Bank of Chile. He holds a degree in Commercial Engineering from the University of Chile (with honors) and a Ph.D. in Economics from the Massachusetts Institute of Technology (MIT).

#### MR. ÁNGEL RIVERA CONGOSTO

Member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He is currently Vice-President, Commercial Banking at Banco Santander (Parent) and a member of its Board of Directors. For 24 years, he worked at Grupo Banco Popular, where he held a range of posts. He has a diploma in Business and Tourism from the School of Tourism in Spain. He has also taken part in a Business Management (IPADE) course at IESE (Universidad de Navarra) and a Corporate Finance program at Instituto de Empresa in Madrid.

**MR. GUILLERMO GÜEMEZ GARCÍA**

Independent member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He has been a member of the Board of Directors of Zurich Compañía de Seguros, S.A. and ING AFORE. He is a member of the Strategy and Finance Committee of Nacional Monte de Piedad. He was Deputy Governor of the Banco de México and President of its Accountability Commission. He was also a board member of CNBV. He has a degree in Civil Engineering (with honors) from the Universidad Nacional Autónoma de México (UNAM) and a Master's degree in Science from Stanford University.

**MR. JOAQUÍN VARGAS GUAJARDO**

Independent member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He has been the Chairman of the Board of Directors of Corporación Mexicana de Restaurantes, S.A.B. de C.V. and of Grupo MVS Comunicaciones, the National Chamber of Radio and Television, and the Association of Restaurant Chain Directors. He holds a degree in Business Administration from ITESM and a diploma in Business Management from Instituto Panamericano de Alta Dirección Empresarial (IPADE).

**MR. ANTONIO PURÓN MIER Y TERÁN**

Independent member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He has been a member of the Board of Directors of several institutions, including Banco Santander (Parent) and Zurich Santander Seguros México, S.A. He has been a consultant for public and private institutions through the Centro de Investigación y Docencia Económicas (CIDE). He was a Director-Partner at the Mexican office of McKinsey & Company, Inc., for more than 26 years. He holds a degree in Chemical Engineering from Universidad Iberoamericana and a Master's in Business Management from Stanford University.

**MR. JUAN IGNACIO GALLARDO THURLOW**

Independent member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He has been the Chairman of the Board of Directors of several major international corporations. He is a member of Consejo Mexicano de Hombres de Negocios, A.C. and Consejo de Negocios de América Latina. He is the Coordinator of COECE (Coordinadora de Organismos Empresariales de Comercio Exterior para las negociaciones con los Tratados de Libre Comercio de México). He holds a degree in Law from Escuela Libre de Derecho and has taken the AD-2 Business Management program at Instituto Panamericano de Alta Dirección de Empresa.

**MR. JOSÉ EDUARDO CARREDANO FERNÁNDEZ**

Independent member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He is Chairman of the Board of Directors of La Ideal S.A. de C.V., Aceros La Ideal S.A. de C.V., Industrial Formacero, S.A. de C.V. and Fianzas Asecam, S.A. He is a member of the Board of Directors of Inmobiliaria Silver, S.A. de C.V., Asecam, S.A. de C.V. and Grupo Financiero Asecam, S.A. de C.V. He was a member of the Boards of Directors of Credicam, S.A. de C.V., SOFOM E.R., Seguros Génesis, S.A. and Fianzas Asecam, S.A. He holds a degree in Accounting from Universidad Iberoamericana.

**MR. JESÚS FEDERICO REYES HEROLES GONZÁLEZ GARZA**

Independent member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He was the Chief Executive Officer of Petróleos Mexicanos, Mexican Ambassador to the United States, Minister of Energy, and Managing Director of Banobras. He is currently the Executive President of StucturA and is a member of several Boards of Directors, including OHL México, S.A.B. de C.V. and Water Capital México (WCAP Holdings, S.A. de C.V.). He holds a degree in Economics from ITAM and a Law degree from UNAM. He also has a Ph.D. in Economics from the Massachusetts Institute of Technology.

**MR. FERNANDO RUÍZ SAHAGÚN**

Independent member of the Board of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He serves on the Board of Directors of the Bolsa Mexicana de Valores, S.A.B. de C.V. and at other companies. He is a member of the International Fiscal Association (IFA) and Instituto Mexicano de Ejecutivos de Finanzas, A.C. He has been a member of the Board of the Instituto Mexicano de Contadores Públicos, A.C. He is one of the founding partners of Chévez, Ruiz, Zamarripa y Cía. S.C., a tax firm at which he has served on the Board of Directors. He has a degree in Accounting from UNAM.

**MR. ALBERTO TORRADO MARTÍNEZ**

Independent member of the Board of Directors of Grupo Financiero Santander Mexico, Banco Santander México, Casa de Bolsa Santander, Santander Consumo and Santander Vivienda. He is a member of the Board of Directors of BMV and Chairman of Consejo de la Comunicación. He was Chairman of the Board of Directors and Chief Executive Officer of Alsea, S.A.B. de C.V. and chair of the Asociación Nacional de Servicios de Comida Rápida. He has a degree in Accounting from ITAM and postgraduate studies from Instituto Panamericano de Alta Dirección de Empresa.

**MS. GINA DIEZ BARROSO AZCÁRRAGA**


For more than 20 years, she has been the Founder and Chair of Grupo Diarq, S.A. de C.V. and Fundación Diarq, I.A.P. In 2004, she founded CENTRO de Diseño y Comunicación, S.C. She also founded the Pro-Education Center Foundation and is a member of several Boards of Directors, Committees and groups, both in Mexico and around the world, including: Americas Society and Council of the Americas, Qualitas of Life Foundation, Grupo Integral de Desarrollo Inmobiliario, The Committee of 200 Women Business Leaders of the World, Women President's Organization, and Women Corporate Directors. She holds a degree in Design from Universidad CDI and several diplomas from the Schools of Psychology and Business at Stanford University.

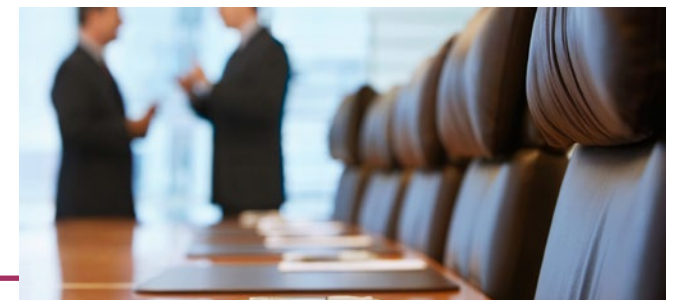
**MR. ENRIQUE KRAUZE KLEINBORT**

A prestigious author and historian, in 1990 he was inducted into the Academia Mexicana de la Historia, and he has been a member of Colegio Nacional since 2005. He is the author of numerous documentaries and television series focusing on the history of Mexico. For more than 20 years, he collaborated with Octavio Paz on Vuelta magazine, in addition to founding Editorial Clío, of which he is the CEO, and Letras Libres magazine, which is considered to be the successor of Vuelta. In 2003, the Spanish government awarded him the Gran Cruz de la Orden de Alfonso X, El Sabio. He holds a degree in Industrial Engineering from UNAM and a Ph.D. in History from Colegio de México.

**MR. GUILLERMO FRANCISCO VOGEL HINOJOSA**

Chairman of the Cámara Nacional de la Industria del Hierro y el Acero (CANACERO), a post he has held on two previous occasions. He is Vice-President of the Board of the American Iron & Steel Institute (AISI) and Chairman of the North American Steel Council. He is also a member of several Board of Directors and is the Chairman of Grupo Collado and Exportaciones IM Promoción. Since 2002, he has been the Director and Vice-Chair of the Board of Directors of TENARIS. In the United States, he began his career at Bank of America Corporate Banking, where he was Vice-President, He holds a degree in Business Management from UNAM and an MBA from the University of Texas.

  
**FOR FURTHER INFORMATION ABOUT BOARD MEMBERS: PLEASE CONSULT [HERE](#).**

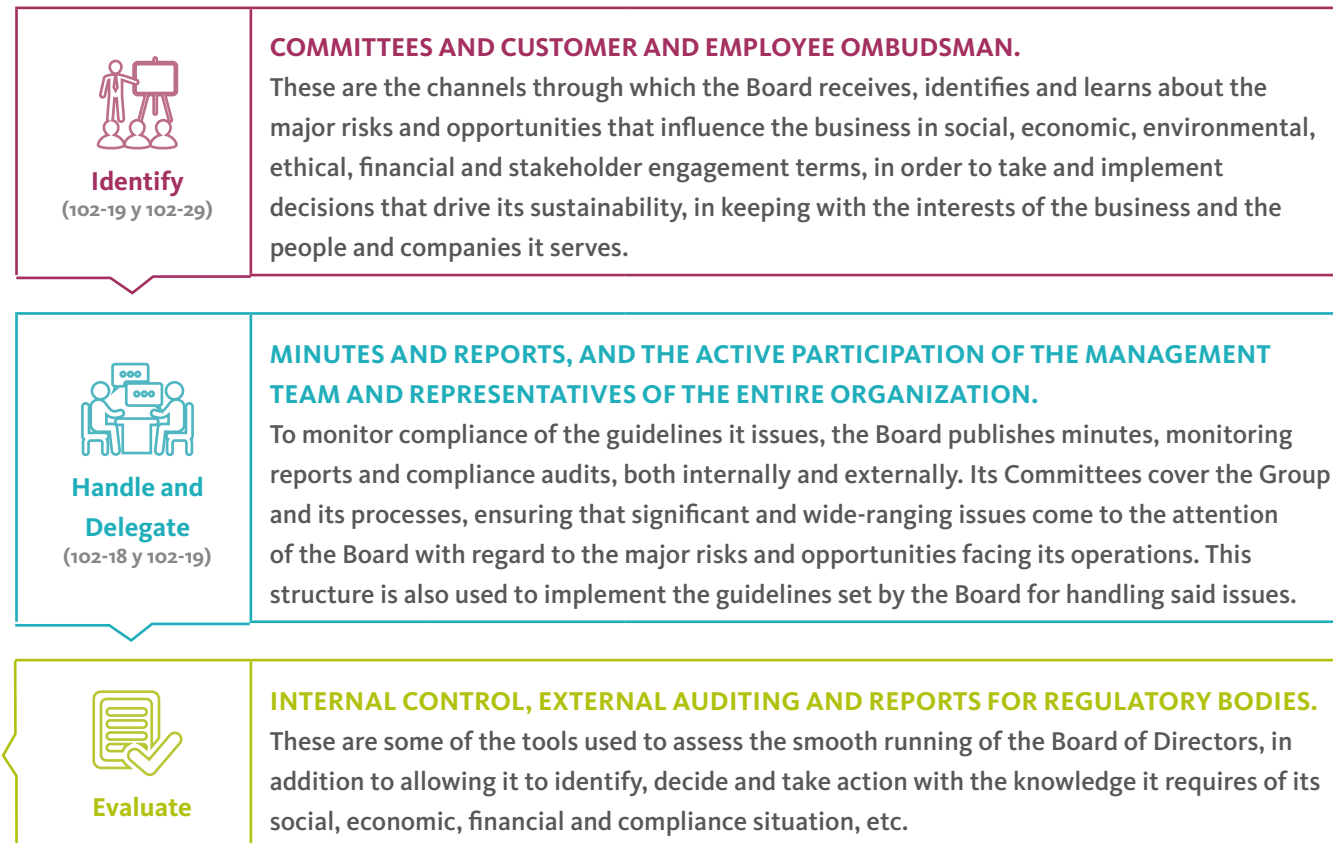






This material references Disclosures 102-18, 102-19, 102-22 and 102-29 from GRI 102: General Disclosures 2016.

The Board of Directors is tasked with identifying and monitoring the correct handling of the risks and opportunities facing the Group in all areas that have a significant impact on its operations. The Board does not directly consult its stakeholders. The image below outlines how these areas are identified, handled and evaluated:



This material references Disclosures 102-18, 102-19 and 102-31 from GRI 102: General Disclosures 2016; and Policies with Specific Environmental and Social Components Applied to Business Lines FS1 and FS2: Sector Supplement for Financial Services, GRI G4 2013.

IN 2018, WE WILL CREATE A **WEBSITE FOR BOARD MEMBERS AND EMPLOYEES** TO BE ABLE TO **SEARCH FOR INFORMATION** RELATING TO THE BOARD OF DIRECTORS AND THE GROUP'S CORPORATE GOVERNANCE IN MEXICO, SPAIN AND AROUND THE WORLD.

(102-18 y 102-31)

To provide a specific focus on relevant issues, the Board of Directors has four Committees, which have the necessary legal faculties corresponding to their functions. Below is a list of the major issues brought to the attention of the Board by the Committees. These issues have a direct impact on economic, social, ethical and legal aspects of the Group:

1) Audit Committee (CA)	
Meeting	FS1 Functions:
<p>In 2017, the Audit Committee met on six occasions:</p> <ul style="list-style-type: none"> <li>• January 23</li> <li>• April 24</li> <li>• June 19</li> <li>• July 24</li> <li>• September 4</li> <li>• October 16</li> </ul>	<ul style="list-style-type: none"> <li>• Provide opinions to the Board regarding financial statements and other issues relating to the auditing process.</li> <li>• Assess the performance of external audits.</li> <li>• Analyze the findings and opinions of internal and external auditors.</li> <li>• Discuss financial statements.</li> <li>• Inform the Board of the results of the internal control system and internal audits.</li> <li>• Draft opinions regarding the management team's report on internal control.</li> <li>• Request periodic meetings with relevant directors.</li> <li>• Determine, monitor and track guidelines regarding requests for information from Financial Institutions used in the decision-making process.</li> <li>• Support the Board in the drafting of the annual report to be presented at the Assembly.</li> <li>• Determine and authorize related operations and those of relevant employees.</li> <li>• Monitor and authorize policies and guidelines for the use or enjoyment, by related parties, of the assets that form part of the company's equity and that of the legal entities the former controls.</li> <li>• Ensure the Chief Executive Officer complies with the agreements reached at the Assemblies.</li> <li>• Propose internal and external auditors.</li> <li>• Inform the Board of any relevant irregularities that have been detected, and, if necessary, inform the Board of any corrective measures employed, ensuring that the management implements said measures.</li> <li>• Monitor the independence of the Internal Auditing area with regard to the Institution's other business and administrative units. The Board should be informed of any threats to said independence.</li> <li>• Review the annual budget and propose it be presented to the Board for its subsequent approval.</li> <li>• Implement measures based on the conclusions and recommendations of Internal and External Auditing.</li> </ul>

## 2) Corporate Practices, Nomination and Compensation Committee (CPSNC)

Meeting	FS1 Functions
In 2017, the Corporate Practices Committee met on five occasions:	<ul style="list-style-type: none"> <li>• Provide the Board with opinions on policies and guidelines for the use or enjoyment of assets that form part of the Company's equity and transactions with related parties.</li> <li>• Monitor compliance of corporate practices with all applicable laws or regulations.</li> <li>• Determine unusual or non-recurring operations.</li> <li>• Understand the organization and the Human Resources strategic succession plan.</li> <li>• Determine dispensations for board members, relevant directors or people with in positions of authority, enabling them to take advantage of business opportunities for themselves or for third parties, with regard to proceedings with the Company.</li> <li>• Provide oversight to ensure the correct management, handling and execution of the strategies of the Group and its Financial Entities.</li> <li>• Support the Board in the drafting of reports that are to be presented to the Shareholders Assemblies.</li> <li>• Support the Board in establishing policies that ensure the Company acts within an established legal framework and has adequate legal defense.</li> <li>• Propose emoluments for Board Members and members of Committees.</li> <li>• Nominate, remove and propose salaries for the Chief Executive Officer.</li> <li>• Review the appointment and compensation policy for relevant Directors.</li> <li>• Review the policies that establish the extent of the authority of the Chief Executive Officer and relevant Directors.</li> <li>• Present a report to the Board based on the reports of the activities of the Executive President and Internal Committees.</li> <li>• Submit proposals to the Board to begin legal proceedings against officers who do not meet the principles of loyalty and diligence.</li> <li>• Provide opinions to the Board about the proper management, handling and execution of business strategies.</li> <li>• Propose and review internal criteria and procedures to be followed to determine the structure of the Board of Directors and propose directorial appointments.</li> <li>• Propose and review internal criteria and procedures to be followed for the selection and on-going assessment of the CEO, Senior Executive Vice-President or similar key officers and other employees responsible for internal control or who occupy key positions in day-to-day banking activities, providing information about their appointment and removal from office, in addition to their on-going assessment.</li> <li>• Undertake an annual assessment process of the Board and Board Members.</li> <li>• Monitor compliance of corporate practices with all applicable laws or regulations.</li> </ul>
<ul style="list-style-type: none"> <li>• January 19</li> <li>• April 20</li> <li>• July 20</li> <li>• September 21</li> <li>• October 19</li> </ul>	

## 3) Risk Management Committee (CAIR)

Meeting	FS1 Functions
In 2017, the Risk Management Committee met on 12 occasions:	<p><b>Propose, for the approval of the Board of Directors:</b></p> <ul style="list-style-type: none"> <li>• Risk Management objectives, guidelines and policies, in addition to any eventual modifications to them.</li> <li>• Global Risk Exposure Limits and Specific Risk Exposure Limits, taking the following into consideration: <ol style="list-style-type: none"> <li>1. Consolidated Risk, itemized by Business Unit or Risk Factor, cause or origin, in accordance with that stipulated in Articles 79 to 85, in addition to, if necessary, Risk Tolerance levels.</li> <li>2. Mechanisms for the implementation of corrective measures (once a year).</li> <li>3. Special circumstances or cases under which Global Risk Exposure Limits and Specific Risk Exposure Limits can be exceeded.</li> </ol> </li> </ul> <p><b>Approve:</b></p> <ul style="list-style-type: none"> <li>• Exceptional adjustments to Specific and/or Secondary Risk Appetite Limits, if and when they have the faculties delegated by the Board and prior approval from the Executive Risk Committee, Risk Tolerance Levels (once a year), as well as indicators on liquidity risks (Article 81 Section VIII).</li> <li>• Methodology and procedures to identify, measure, monitor, limit, control, report and disclose the different types of risks to which the Institution is exposed (once a year).</li> <li>• Models, parameters, scenarios and suppositions, including those relating to stress tests for liquidity risk (Appendix 12-B), which should be used to assess, measure and control the risks proposed by UAIR (once a year).</li> <li>• Methodologies to identify, assess, measure and control the risks of new operations, products and services to be offered to the market.</li> <li>• Corrective measures proposed by UAIR in terms of that stipulated in Article 69.</li> <li>• Risk Management Manuals, based on the objectives, guidelines and policies established by the Board. Said Risk Management Manuals must be technical documents that contain, among other elements, the policies, procedures, flow diagrams, models and methodologies required to manage different types of risks (Article 78).</li> <li>• Technical AIR evaluation (Article 77) for its subsequent presentation to the Board and the Commission.</li> <li>• Technical Evaluation Report (Article 77).</li> </ul>
<ul style="list-style-type: none"> <li>• January 24</li> <li>• February 23</li> <li>• March 16</li> <li>• April 20</li> <li>• May 18</li> <li>• June 22</li> <li>• July 20</li> <li>• August 24</li> <li>• September 21</li> <li>• October 18</li> <li>• November 23</li> <li>• December 20</li> </ul>	

**Designate (remove), with the ratification of the Board of Directors, the chair of UAIR.**



### 3) Risk Management Committee (CAIR)

#### Meeting

#### FS1 Functions

##### Inform the Board, at least once a quarter, of:

- The Institution's Risk Profile.
- The Institution's Risk Exposure.
- The negative effects that this could have on the Institution's operations.
- Non-compliance with established Desired Risk Profiles, Risk Exposure Limits and Risk Tolerance Levels.
- The corrective measures that have been implemented (Article 69).

##### Ensure all staff involved in risk taking are aware of:

- Desired Risk Profiles.
- Risk Exposure Limits.
- Risk Tolerance Levels.

##### Inform the Board, at least once a year, of:

- The Business Continuity Plan.
- Effectiveness Testing of the Business Continuity Plan.

##### Approve methodologies to estimate the quantitative and qualitative impacts of the Operational Contingencies referred to in Article 74 Section XI.

##### Adjust or authorize extensions to the Specific Risk Exposure Limits:

- Under exceptional circumstances.
- With the prior approval of the Board.
- In accordance with the Risk Management objectives, guidelines and policies.
- When the conditions and situation of the Institution require.

##### Request the Board adjust or authorize, under exceptional circumstances, the Global Risk Exposure Limits.

### 4) Compensation Committee (CR)

#### Meeting

#### FS1 Functions:

The Compensation Committee met on four occasions:

- January 19
- April 20
- July 20
- November 23

- Evaluate the risks being faced by the Institution and its administrative, control and business units.
- Publish employee compensation scheme criteria and policies.
- Inform the National Banking and Securities Commission of any modifications to the Compensation System.
- Propose, for the approval of the Board of Directors, all matters relating to compensation processes.

# Corporate Citizenship

This material references Disclosure 102-13 from GRI 102: General Disclosures 2016.

As part of its institutional consolidation measures and its efforts to contribute to transparency in the country, Santander Mexico promotes healthy market competition and integrity. In keeping with this value, at Santander, we are a member of a number of associations, through which we share and drive the ethical and sustainable development of the Mexican financial sector. Some of our partnerships include:

- Asociación Mexicana de Intermediarios Bursátiles, A.C. (AMIB)
- Asociación de Bancos de México (ABM)
- Comité de Emisoras de la Bolsa Mexicana

In 2017, we continued to align our operations with the ABM's Sustainability Protocol to help institutionalize the commitment of the banking sector to promoting sustainable social development.

Santander Mexico remains a member of the Committee of the Bolsa Mexicana de Valores Issuers, in which we participate actively during its quarterly sessions. This Committee is a forum for issuers to express their opinions, requirements, needs and concerns about the stock exchange, its regulations, practices and members. Its goal is to review and discuss matters relating to the securities market, in addition to facilitating the participation of issuers in all regulatory, promotion, development and distribution activities that aim to consolidate the market.



During 2017, some of the measures covered during its sessions were:

- The presentation of a sustainability guide based on a six-step methodology, in addition to a self-evaluation tool on Emisnet.
- The obligations of foreign companies that file reports in the USA to send certain information in XBRL format.
- The proposal of a bill to reform the Mexican Corporations Acts and the Securities Market Act in the areas of competitiveness and gender equality.
- The operability of securities markets with more than one Stock Exchange.
- A project to implement a Sole Memorandum for External Auditors, proposed by CNBV.
- Changes to the Code of Best Corporate Practices.

# Business Ethics



**Goal 16.5:** Substantially reduce corruption and bribery in all their forms.



IN 2017, THERE WERE **NO SIGNIFICANT CASES OF CORRUPTION OR BRIBERY.**

The Grupo Financiero Santander protects the integrity of its business, operations, employees and customers. These efforts are a central part of our sustainability, focusing mainly on business ethics. To achieve this, we have structured tools that promote efficient risk management, complaint communication channels, and training to prevent illegal acts, in addition to a comprehensive plan to ensure business continuity during any crisis.

These measures mean that Santander Mexico is a company that constantly strives to considerably reduce corruption and bribery in all their forms. By aligning itself with national, international and stock exchange regulations, the Bank actively contributes to creating a society free from impunity and respectful of the Rule of Law.



## Code of Conduct

(102-16, 412-2)  
This material references Disclosure 102-16 from GRI 102: General Disclosures 2016; and Disclosure 412-2 from GRI: Human Rights Assessment 2016.

Santander Mexico's General Code of Conduct (GCC) is the supreme legal and ethical framework for the entire Group. All policies and internal operations manuals are aligned with the GCC. The code establishes the following principles:

- Equal Opportunities and Non-Discrimination.
- Respect for People –Human Rights.
- Personal and Work Life Balance.
- Prevention of Workplace Risks.
- Environmental Protection and Social and Environmental Responsibility Policies.
- Collective Rights.



2017 General Code of Conduct Training	Training Hours Men	Training Hours Women	Total Training Hours
Directors	792	227	1,019
Deputy Directors	1,133	732	1,864
Managers	3,356	3,079	6,435
Administrative and Operational Staff	4,479	7,283	11,762
<b>Total</b>	<b>9,760</b>	<b>11,320</b>	<b>21,080</b>

## COMPLAINTS CHANNELS



(102-17)  
This material references Disclosure 102-17 from GRI 102: General Disclosures 2016.

To promote an ethical approach in all our activities, in 2017, the Grupo Financiero Santander Mexico changed its complaints channel to Línea Ética (Ethics Line). This is a Non-Compliance Report System, which has a number of easy-to-use channels to independently and confidentially report misconduct or irregularities that affect the Institution. It also offers measures to supplement reports, such as by sending evidence, offering follow-up channels for the organization, and checking the status of the report.

This system is coordinated by an external supplier specializing in complaint management and reports, and it can be used by employees, ex-employees (within a period of three months after the termination of their contract) and Grupo Financiero Santander Mexico's suppliers.

## ADVICE ON ETHICAL BEHAVIOR

Santander Mexico promotes and maintains a culture of ethical and legal behavior in its day-to-day operations. It offers its employees the mechanisms and training they need to guarantee that its principles are understood, executed and embodied in every activity, every single day.

During 2017, the Bank implemented a new online course model entitled Cuidarnos, the goal of which is to ensure that the Institution's legal framework is more understandable, applicable and adaptable to the needs of each user. The goal of this model is to debunk the myth that raising awareness is boring or obligatory, shifting the focus to the well-being and safety of everyone at the Institution by promoting an environment in which "Every is a Risk Manager".



**53% increase**  
IN CGC TRAINING HOURS COMPARED TO 2016. THIS IS A **COMPULSORY COURSE**, WHICH IS WHY 100% OF EMPLOYEES RECEIVED CGC TRAINING.



FOR FURTHER INFORMATION ABOUT VALUES, STANDARDS AND REGULATIONS, PLEASE CONSULT THE GCC.

The following courses were offered:

- | 2017 Courses                                                 |
|--------------------------------------------------------------|
| 1. Money-Laundering Prevention                               |
| 2. Civil Protection, Health and Safety                       |
| 3. Data Protection                                           |
| 4. General Code of Conduct and Preventing Corruption         |
| 5. Operational Risk (Business Continuity) and Cyber-Security |
| 6. Product Risk. Corporate                                   |
| 7. Code of Conduct and Corporate Defense. Corporate          |
| 8. Branch Safety                                             |
| 9. Investment Services                                       |
| 10. Environmental Management System                          |
| 11. Code of Conduct and Stock Exchange                       |
| 12. Market Abuse. Corporate                                  |

EVERYONE

SPECIFIC GROUPS



# Risk Management

(102-11, 102-30 y 102-31)  
This material references Disclosures 102-11, 102-30 and 102-31 from GRI 102: General Disclosures 2016.

To become sustainable, we must act in a manner that is in keeping with our goal of preventing and controlling the risks that are inherent to the Bank's operations. To achieve this, we have a flexible and efficient governance structure that guarantees:

- Alignment of goals, monitoring of compliance, and implementation of corrective measures.
- Creation of an adequate environment for risk control and management.

The risk management structure is headed by the Risk Management Committee (CAIR), a body that answers directly to the Board of Directors and is responsible for risk management within the Group, ensuring the correct functioning of the Group's three lines of defense.

- Participation of employees, supervisory bodies and senior management in the identification and supervision of risks.
- Coordination among the different lines of defense involved in risk control and management.



This material references Disclosures 102-11 and 102-31 from GRI 102: General Disclosures 2016.



FOR FURTHER INFORMATION ABOUT **RISK CONTROL AND MANAGEMENT**, [CLICK HERE](#).

This compliance system is underpinned by several supervisory bodies, including the Local Commercialization Committee, to ensure the proper commercialization of products and services.

We also have the School of Risk Management, which helps design and execute the Bank's risk strategies. The School issues guidelines for all areas, sharing best practices and leveraging synergies that promote a permanent working environment among the Bank's employees. It is coordinated jointly by the General Director of Risk Management and the General Director of Human Resources, Organization and Costs, who share the planning of the risk-oriented training activities offered by the School.

Since it was founded, the Bank has been characterized for its foresight regarding risk, both in Mexico and around the world. This approach has played a fundamental role in ensuring the continuing growth of the Bank while generating value for all its stakeholders.

The risk management model has been designed to comply with the mid-low, predictable risk profile outlined in Santander's risk management policy.

The Bank faces the risks inherent to the sector in which it operates, including: credit, market, liquidity and financing, compliance, reputation, operations, and environmental risks. Our products and services pose no potential risk to the environment.

Risk management is a fundamental strategy for sustainability given the impact it has on the Bank's reputation and compliance. The Bank has a top-level, independent compliance system that is available throughout the organization, providing advice and information directly to the Board of Directors in areas including: compliance, behavior, reputation, money-laundering, terrorism financing, and sanction risks.

Another of its functions is to transmit and publish information regarding risk culture, using a range of tools at its disposal:

- Knowledge Maps
- Risk Training Catalog
- Risk Programs
- Curricular Plans
- Technical, Functional or Case Study Awareness Sessions
- E-learning (Online Training)
- Best Practices Workshops

These programs and strategies offer the Bank a competitive advantage in helping to prevent and respond to risks that can have repercussions on the Group's portfolio, budget and profitability, thereby helping protect its stakeholders.

To involve its employees in this risk culture, the Group undertakes an assessment of all the Bank's employees, helping to drive on-going improvements in activities, communication models and risk training, among others.

<p><b>1</b> </p> <p><b>FIRST LINE OF DEFENSE:</b> <b>Back Office Areas, Risk Owner Support Areas</b> Comprised of business lines that, in their daily activities, are the source of the Institution's exposure to risk.</p>	<p><b>2</b> </p> <p><b>SECOND LINE OF DEFENSE:</b> <b>Compliance and Risk Auditing</b> Comprised of teams specializing in risk control, supervision and management.</p>	<p><b>3</b> </p> <p><b>THIRD LINE OF DEFENSE:</b> <b>Internal Auditing</b> Comprised of the Internal Audit area.</p>
<p><b>GOALS:</b> </p> <p>Identify, mitigate and monitor risk from the moment it is generated, in compliance with all established policies and procedures.</p>	<p><b>GOALS:</b> </p> <p>Control risk and ensure it is monitored based on the level of risk appetite defined by the Bank. Supervise the proper management of risk identification and assessment processes, without affecting the needs of the first line of defense (Front Office). Evaluate the effectiveness of the control measures in business, support and operational areas in terms of compliance.</p>	<p><b>GOALS:</b> </p> <p>Periodically evaluate the policies, methods and procedures to ensure they are adequate. Ensure that they have been properly implemented in the Institution's operational management models.</p>
<p><b>CHALLENGES:</b> </p> <p>Consolidate the risk approach of all business, operations and support activities.</p>	<p><b>CHALLENGES:</b> </p> <p>Consolidate the use of risk tools that help create models and comprehensive reports to facilitate the business decision-making process.</p>	<p><b>CHALLENGES:</b> </p> <p>Create new and better channels of communication with the other lines of defense.</p>

## Money-Laundering Prevention

Banco Santander firmly believes that, in order to reduce corruption, it is fundamentally important to focus on the risks specific to the sector in which it operates. That is why it has a Money-Laundering Prevention and Terrorism Financing System (PLD/FT), which is based on the General Policy and Procedures Manual that stipulates the policies, guidelines, regulations, flows and controls in PLD/FT, ensuring compliance with local and corporate regulations.



To ensure compliance with any obligations stemming from modifications to current legislation, the manual is reviewed at least once a year. Furthermore, there is a risk and control certification program, which is implemented twice a year.

The PLD/FT system is based on the following concepts:

- Institutional support for all areas within the organization.
- A robust legal framework that complies with corporate requirements over local regulations.
- The development and implementation of local and corporate projects, such as Legal Risk Assessment, Sanctions, Correspondent Banking, etcetera.
- Customer identification policies based on validation processes that ensure files are properly compiled.
- Regular updating of files.
- Monitoring, analysis and reporting of operations.
- Processes to prevent and mitigate legal and operational risks.

This system is underpinned by an internal structure, comprising three main areas:

1. The Communication and Control Committee, the maximum authority in PLD/FT, presided over by the General Director of Legal Affairs and comprising the General Directors and Executives from the Group's Business and Control areas.
2. The Money-Laundering Prevention Unit (UPLD), which is composed of six departments: Monitoring, Monitoring of High-Risk Clients, Analysis, Risk Management, Strategy, and Engagement and Implementation of the Corporate Norkom System.
3. The Compliance Officer, responsible for implementing the PLD/FT system and certified by the regulatory body.

This structure is supported by training and awareness programs to help ensure efficient risk prevention controls and processes based on the products and services we offer our customers.

During 2017, 22,921 training hours were given, with Administrative and Operational Staff receiving the largest percentage (65% of total training hours).

## Corruption Prevention

(205-1 y 205-2)  
This material references Disclosures 205-1 and 205-2 from GRI 205: Anti-Corruption 2016.

Santander bases its business strategy and activity on transparency and honesty, not to mention accountability. To ensure sustainability, all possible acts of corruption must be prevented in the Bank's relationships with administrations, institutions, public officials and private individuals, in addition to refuting any actions linked to embezzlement, bribery, influence peddling or any other form of corruption, in both the public and private ambits.

The Bank has established a Corruption Prevention Policy for the Grupo Financiero Santander Mexico. To supervise the proper functioning of this policy, both the Compliance area and several of the Group's Committees have designated standards that must be met. Some of the general terms of this policy, include:

- All gifts given to Santander employees and directors must be reported to the Compliance area. If invited to a sporting, recreational or cultural event, even if attending a conference or giving a seminar, this must be reported to the Compliance area and authorization must be requested. Said authorization must be accompanied by the go-ahead from the General Director or Business Unit Director.
- On a quarterly basis, Global Compliance requests a report containing indicators from the Corporate Defense model and the Corruption Prevention Policy.



Money-Laundering Course 2017	Training Hours Men	Training Hours Women	Total Training Hours
Directors	609	177	786
Deputy Directors	941	572	1,514
Managers	3,084	2,663	5,747
Administrative and Operational Staff	5,984	8,890	14,874
<b>Total</b>	<b>10,619</b>	<b>12,302</b>	<b>22,921</b>

In 2017, employees and Board Members received training regarding current PLD policies:



	Members of Governing Body	Internal Employees	External Employees
#	3	18,613*	5,033
%	18	99.35	91.4

\*The number of employees exceeds the total number of employees to the end of 2017 given employee turnover and training sessions for outsourced staff, among other reasons.



This material references Disclosures 205-2 and 205-3 from GRI 205: Anti-Corruption 2016.

In 2017, no significant cases of corruption were reported within the Grupo Financiero Santander Mexico. We have a system called Heracles, which, in compliance with corporate guidelines, allows us to evaluate 100% of our branches, offices and the entire Group in questions of ethical responsibility, risks and anti-corruption issues.

In terms of training in internal tools and mechanisms to prevent corruption, 2,957 training hours were given at all levels of our organization.



Anti-Corruption Course 2017	Training Hours Men	Training Hours Women	Total Training Hours
Directors	35	12	47
Deputy Directors	64	37	101
Managers	309	221	530
Administrative and Operational Staff	941	1,338	2,279
<b>Total</b>	<b>1,349</b>	<b>1,608</b>	<b>2,957</b>

The following people have been informed in the organization's policies and procedures to prevent corruption:



	Members of Governing Body	Employees
#	3	18,781*
%	18	100

The following people have been trained in the organization's policies and procedures to prevent corruption:



	Members of Governing Body	Employees
#	3	18,680*
%	18	99

\* The number of employees exceeds the total number of employees to the end of 2017 given employee turnover and training sessions for outsourced staff, among other reasons



FOR FURTHER INFORMATION ABOUT OUR  
REPORTS AND FINANCIAL STATEMENTS,  
[CLICK HERE.](#)

## Conflicts of Interest

A fundamental part of our fight against corruption is tackling conflicts of interest. At Santander, we have mechanisms and procedures to ensure that the interests of individuals are never about those of the Group or its customers.

These procedures regulate the restrictions and authorizations we place on our employees, directors and Board Members in terms of acquiring or leasing goods and assets, as well as in transactions in which there is a vested interest or a financial or family connection. The Bank also ensures that they are unable to influence or participate in the procurement of products or services offered by companies or people with whom they have ties.

To complement this area, the Code of Conduct has a section on conflicts of interest, which stipulates that when an employee identifies a case of conflict of interest, they must immediately notify the Compliance area, which will identify and analyze each situation, recording the facts and presenting their conclusions to the Compliance Committee.

## Protection of Personal Data

The protection of personal data is an integral part of the processes of obtaining, storing, using and transferring data, in strict compliance with applicable legislation and our technical and operational controls. Internally, personal data is protected through the following policies:

- Privacy Notice – It sets out the Group's position with regard to data protection, describing, among others, the following points: (i) Definitions; (ii) Information about Responsible Parties; (iii) Information provided by Holders; (iv) Purpose of Data Use; (v) Limitation of Data Use and Disclosure; and, (vi) Measures to Exercise ARCO Rights (Access, Rectification, Cancellation and Opposition).
- Data Security Incident Management Policy – It describes the types of incidents that can occur and the way in which they should be reported, depending on their possible impact. The policy also focuses on the measures that should be implemented once an incident has been detected, including, among others: (i) Investigation; (ii) Mitigating Proposals; and, (iii) Corrective Measures. This policy is drafted and executed by the Data Security Office (OSI).

- Privacy Notice – It sets out the Group's position with regard to data protection, describing, among others, the following points: (i) Definitions; (ii) Information about Responsible Parties; (iii) Information provided by Holders; (iv) Purpose of Data Use; (v) Limitation of Data Use and Disclosure; and, (vi) Measures to Exercise ARCO Rights (Access, Rectification, Cancellation and Opposition).


Santander Mexico focuses on training employees who have most contact with personal data through training processes coordinated by the Human Resources and Compliance areas. The goal of this process is to raise awareness about how to handle personal information. For our customers, the Privacy Notice explains how the Group will use their personal information, who it can be transferred to, and a brief explanation of how to exercise their ARCO rights and which authorities can provide them with support in the event of any inconformity with how their personal data is being used.

# Awards and Recognitions



Our work over the years in sustainability is clearly reflected in the awards and recognitions we have been given. In 2017, we were presented with the following:

Awards and Recognitions	From	Sustainability
Best Trade Finance Bank	Global Finance	• 
Most Socially Responsible Bank in Mexico	International Finance Magazine (IFM)	•  •  • 
GIPS Verification	The Global Investment Performance Standards	• 
Socially Responsible Company	Centro Mexicano para la Filantropía y Alianza por la Responsabilidad Social Empresarial (AliaRSE)	•  •  • 
Best Investment Bank in Mexico	Euromoney	• 
IPC Sustainability Index	Bolsa Mexicana de Valores	•  •  • 
2017 Read More Challenge (Leer MAS)	Consejo de la Comunicación (CC)	• 
Maximum Level Certification for Santander Mexico Data Processing Centers	International Computer Room Experts Association (ICREA)	•  • 
Best SME Bank in the World	The Banker magazine	• 
Best Infrastructure Bank	Latin Finance	• 
Sapere Aude Award	Fundación EBC	• 
3rd Best Investor Relations Team in Latin America	Institutional Investor	• 

-  Economic
-  Social
-  Environmental
-  Ethics and Corporate Governance



# Reporting process



This material references GRI 101: Foundation 2016; and Disclosures 102-44, 102-46, 102-50, 102-51, 102-52, 102-53 and 102-56 from GRI 102: General Disclosures 2016.

For the seventh consecutive year, we have used the Global Reporting Initiative (GRI) to create our Annual Sustainability Report. The 2017 report has been created GRI-referenced. These sustainability reports are published annually, with the last report being published on April 28, 2017.

The material aspects and actions described herein outline the most relevant sustainability achievements and challenges for the Group in Mexico during the year in question (January to December 2017). The content of this report was based on materiality analysis, which was undertaken by an external consultant and in keeping with the most important economic, social, ethical and environmental aspects for the Group, focusing on two perspectives: the influence on the decisions of our stakeholders, and relevance for the company (business model).

Our sustainability report was verified by PwC, which also audited the figures sent to Santander Spain for the corporate report, in addition to auditing the Group's financial statements in Mexico. This verification was requested by the Public Relations, Internal Communication and Sustainability area, coordinated by Rodrigo Brand de Lara, who is General Director of Research, Strategies and Public Affairs, and the President's Chief of Staff, in addition to being a member of the Risk Management Committee.

In addition to the external verification process, the results of the key social, economic, ethical and environmental performance variables (quantitative and qualitative) are reported to our Headquarters in Spain, in compliance with applicable global sustainability policies and the international standards we have adopted to make our operations more sustainable.

These reports enable us to establish and monitor, year-on-year, the goals we seek to achieve, presenting them in this report in a **Clear** and **Accurate** manner, ensuring that our stakeholders can be assured that this document is based on the principles of **Balance, Comparability, Reliability and Punctuality** required by GRI in the drafting of reports. For further information about this report or about any issues relating to the sustainability of Grupo Financiero Santander Mexico, please contact us via the following channels:



[responsabilidadsocial@santander.com.mx](mailto:responsabilidadsocial@santander.com.mx)



<https://servicios.santander.com.mx/comprometidos/>

# Stakeholders

This material references Disclosures 102.17, 102.40, 102.42, 102.43, 102.44 and 102.46 from GRI 102: General Disclosures 2016.

## STAKEHOLDER INCLUSION PRINCIPLE

The basis for identifying and selecting our stakeholders is our general sustainability policy and model, which is aligned with our global model. Our stakeholders are: Employees and their Families, Customers, Academia, Society, Civil Society Organizations, Authorities, Shareholders and Investors, Suppliers, Competitors and Media. The established channels with these stakeholders are outlined below:



This material references Disclosures 102.17, 102.40, 102.42, 102.43, 102.44 and 102.46 from GRI 102: General Disclosures 2016.

\*Regular: Channel with a pre-established frequency  
\*Constant: Uninterrupted channel of communication

- Regular**
- Constant**
- Quarterly**
- Semestral**
- Anually**
- Bi-Annually**

Stakeholder	Communication Channel	Contact frequency
<b>Employees and their families</b>	Complaint System	
	Santander Employee Ombudsman	
	Employee Support Line	
<b>Customers</b>	Branch Communication Channels, Digital Channels and Advertising, Support through Offices, Contact Center and Social Networks	
	Santander Customer Ombudsman	
<b>Academia</b>	Board of Directors of Universia	
	Santander Universities Higher Education Support Plan	
<b>Society</b>	Sustainability Report	
<b>Civil Society Organizations</b>	Meetings of the Trust	
<b>Authorities</b>	Presentation and Publication of Reports based on the Regulations of the Stock Exchanges on which the Group's Shares are listed	

Stakeholder	Communication Channel	Contact frequency
<b>Shareholders / Investors</b>	Annual Report (Financial)	
	Shareholder Report	
	Shareholder Support Line 01 800 849 3177 Shareholder E-mail and Website: <a href="mailto:accionistas_mx@santander.com">accionistas_mx@santander.com</a> / <a href="http://www.santander.com.mx/accionistas">www.santander.com.mx/accionistas</a>	
	Investor E-mail and Website: <a href="mailto:investor@santander.com.mx">investor@santander.com.mx</a> / <a href="http://www.santander.com.mx/ir/home/">www.santander.com.mx/ir/home/</a>	
	Financial Data Reports and Presentations	
<b>Suppliers</b>	Local Procurement Committee	
	Procurement Platform (Aquanima) and Information on Website	
<b>Competitors</b>	Meetings and Coordination with Financial Workers Associations in Mexico	
<b>Media</b>	Phone: 52578124	
	E-Mail: <a href="mailto:agduran@santander.com.mx">agduran@santander.com.mx</a>	



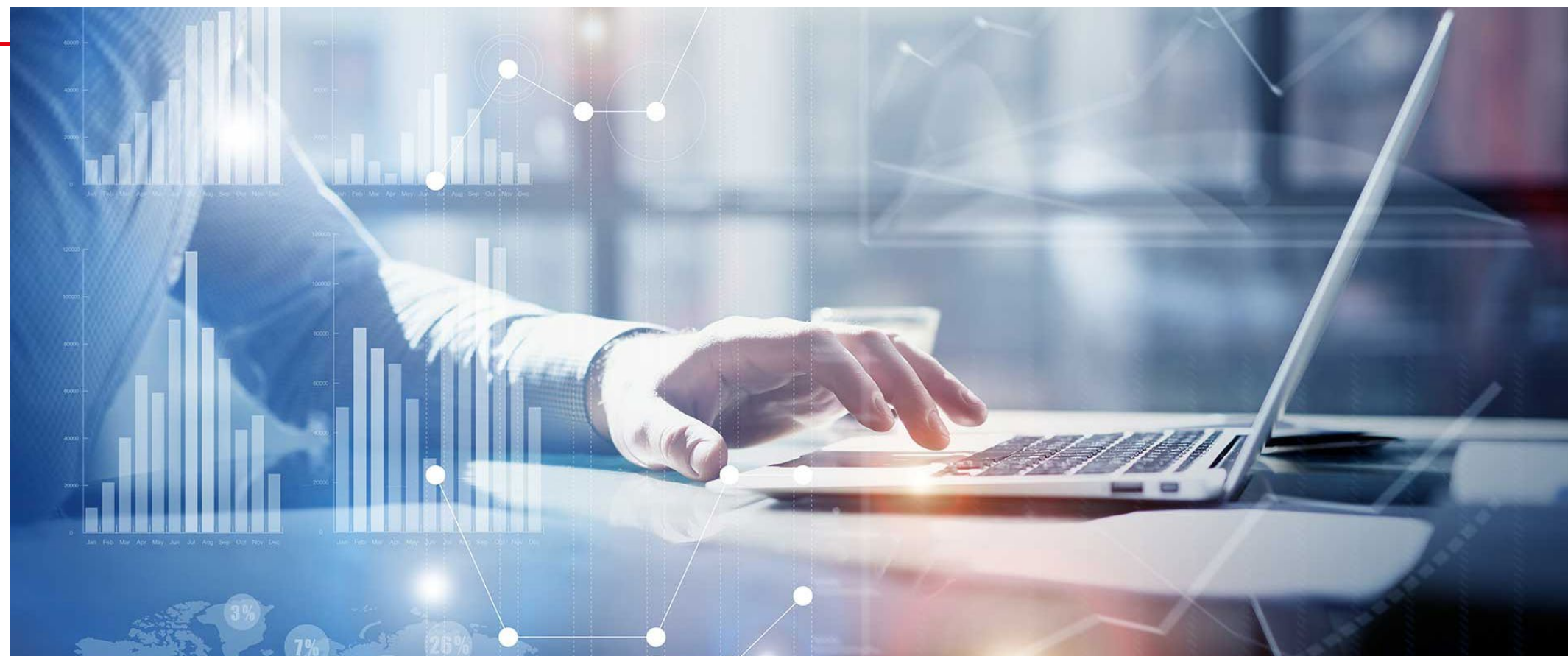
# Materiality









This material references Disclosures 102-43, 102-44, 102-46 and 102-47 from GRI 102: General Disclosures 2016.







## MATERIALITY AND COMPREHENSIVENESS PRINCIPLE

The areas covered in this report reflect the economic, ethical, environmental and social issues that are relevant for the Group based on the perception of our stakeholders, identified in a Materiality Analysis undertaken in 2014 (Page 66 and 67) and its updated version in 2016 (Page 164 to 167), which complies with the guidelines stipulated by the authorities when reporting on these areas.

The December 2016 survey to update the materiality analysis is deemed to be applicable for the 2017 report. All areas that were prioritized and identified by those surveyed are described in this report.



Material Issues for Santander Mexico's Operations	Related Stakeholders	Coverage	Related SDG	GRI Disclosure
<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Technology and Innovation in Product Development</li> <li>Job Creation</li> <li>The Group's Economic and Financial Performance</li> <li>Accessibility to the Group's Products and Services</li> <li>Supplier Development and Respect</li> </ul>	<p>Customers</p> <p>Employees</p> <p>Internal</p> <p>Other Stakeholders</p>		 	<p>201-1, 202-2,</p> <p>204-1, 401-1,</p> <p>405-1</p>
<ul style="list-style-type: none"> <li>Financial Education and Inclusion</li> <li>Human Rights</li> <li>Employee Training</li> <li>Workplace Health and Safety</li> <li>Social Investment</li> <li>Gender Equality</li> </ul>			     	<p>FS16, 403-1,</p> <p>403-3, 404-1,</p> <p>404-2, 404-3,</p> <p>405-1, 412-2</p>

Material Issues for Santander Mexico's Operations	Related Stakeholders	Coverage	Related SDG	GRI Disclosure
<ul style="list-style-type: none"> <li>Energy Use and Savings</li> <li>Water Use and Savings</li> <li>Paper Use and Savings</li> <li>Waste Treatment</li> <li>Emissions</li> <li>Transport</li> </ul>	<p>Customers</p> <p>Employees</p> <p>Internal</p> <p>Other Stakeholders</p>		    	<p>301-1, 302-1,</p> <p>303-1, 305-1,</p> <p>305-2, 305-3,</p> <p>306-2</p>
<ul style="list-style-type: none"> <li>Personal Data Protection</li> <li>Anti-Corruption and Money Laundering</li> <li>Honest and Transparent Sales Practices</li> <li>Risk Management</li> <li>Impact of Loans on Society and the Environment</li> <li>Corporate Governance</li> </ul>			 	<p>FS1, FS2,</p> <p>FS3, FS15,</p> <p>205-1, 205-2,</p> <p>205-3, 412-2,</p> <p>412-3, 417-1,</p> <p>418-1</p>

# GRI content index



This material references Disclosure 102-55 from GRI 102: General Disclosures 2016.

This material references Disclosure 102-55 from GRI 102: General Disclosures 2016.

This report references multiple GRI Standards as mentioned in the Content Index.

Content	Page	Omission	Review
<b>GRI 101: FOUNDATION, 2016</b>			
101	165		
<b>GRI 102: GENERAL DISCLOSURES, 2016</b>			
<b>1. ORGANIZATIONAL PROFILE</b>			
102-1	39, 138 and 139		Pp. 175-178
102-2	39, 40 and 87 No product or service offered by Santander is prohibited.		Pp. 175-178
102-3	40		Pp. 175-178
102-4	Spain Report, Page 39 and 40		Pp. 175-178
102-5	39		Pp. 175-178
102-6	39, 40, 58, 62 and 68 For further information about Santander Mexico, please visit: <a href="https://www.santander.com.mx/mx/home/">https://www.santander.com.mx/mx/home/</a>		Pp. 175-178
102-7 (i, ii, iii, iv)	39, 40, 47 and 138	Information regarding the number of products or services provided is not available given the amount of time it would take to compile said information. While not included in the 2017 report, it will be presented in the 2018 report.	
102-8	103, 104 and 105 The Group has no half-day category		Pp. 175-178
102-9	118 and 119		Pp. 175-178
102-10	96, 99, 118, 138 and 139		Pp. 175-178
102-11	86, 156 and 157		Pp. 175-178
102-12	52		Pp. 175-178
102-13	153		Pp. 175-178
<b>2. STRATEGY:</b>			
102-14	42, 43, 44 and 45		Pp. 175-178
102-15	42, 43, 44 and 45		Pp. 175-178

Content	Page	Omission	Review
<b>3. ETHICS AND INTEGRITY:</b>			
102-16	154		Pp. 175-178
102-17	155 and 166		Pp. 175-178
<b>4. GOVERNANCE</b>			
102-18	140, 148, 149, 150, 151 and 152		Pp. 175-178
102-19	140, 148, 149, 150, 151 and 152		Pp. 175-178
102-22	140, 141, 142, 143, 144, 145, 146, 147 and 148		Pp. 175-178
102-23	140 and 145 The Chairman of the Board of Directors is not executive of the company.		Pp. 175-178
102-24	140 and 141		Pp. 175-178
102-28	140		
102-29	101, 117, 140 and 148		Pp. 175-178
102-30	140, 152 and 156		Pp. 175-178
102-31	140, 149 a 152, 156 to 157		Pp. 175-178
102-35	141		Pp. 175-178
<b>5. STAKEHOLDER ENGAGEMENT</b>			
102-40	166		Pp. 175-178
102-41	103		Pp. 175-178
102-42	166		Pp. 175-178
102-43	166, 167 and 168		Pp. 175-178
102-44	166, 167 and 168		Pp. 175-178
<b>6. REPORTING PRACTICE</b>			
102-45	138		Pp. 175-178
102-46	51, 165, 166 and 168		Pp. 175-178
102-47	168		Pp. 175-178



This material references Disclosure 102-55 from GRI 102: General Disclosures 2016.

Content	Page	Omission	Review
<b>102-48</b>	47 During 2017, Grupo Financiero Santander Mexico modified the way in which it calculates Distributed Economic Value, which is why the 2016 figure has been updated in this report using this new method for reasons of comparability.		Pp. 175-178
<b>102-49</b>		There were no significant changes in the periods of previous reports and in the list of material issues. In terms of coverage, in 2016, there was both internal and external coverage, while, in 2017, there was only internal coverage. As a result, there was no external consultation of stakeholders.	
<b>102-50</b>	165		Pp. 175-178
<b>102-51</b>	165		Pp. 175-178
<b>102-52</b>	165		Pp. 175-178
<b>102-53</b>	165		Pp. 175-178
<b>102-55</b>	170		Pp. 175-178
<b>102-56</b>	165 and 175 to 178		Pp. 175-178
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>			
<b>103-1</b>	The use of Disclosures 103-1, 103-2 and 103-3 apply to: GRI 201: 2016 Economic Performance; GRI 202: 2016 Market Performance; GRI 204: 2016 Procurement Practices; GRI 205: 2016 Anti-Corruption; GRI 301: 2016 Materials; GRI 302: 2016 Energy; GRI 303: 2016 Water; GRI 305: 2016 Emissions; GRI 306: 2016 Effluents and Waste; GRI 401, 2016 Employment; GRI 403: 2016 Occupational Health and Safety; GRI 404: 2016 Training and Education; GRI 405: 2016 Diversity and Equal Opportunity; GRI 412: 2016 Human Rights Assessment; GRI 414: 2016 Supplier Social Assessment; GRI 417: 2016 Marketing and Labeling; and GRI 418: 2016 Customer Privacy.		
<b>103-2</b>			
<b>103-3</b>			
<b>GRI 201: ECONOMIC PERFORMANCE, 2016</b>			
<b>201-1</b>	47		Pp. 175-178
<b>GRI 202: MARKET PRESENCE, 2016</b>			
<b>202-2</b>	103 and 105		Pp. 175-178
<b>GRI 204: PROCUREMENT PRACTICES, 2016</b>			
<b>204-1</b>	118		Pp. 175-178
<b>GRI 205: ANTI-CORRUPTION, 2016</b>			
<b>205-1</b>	159	Information not available. The Heracles system is redefining the evaluation criteria for anti-corruption. We hope to be able to specify these risks over the next two years.	
<b>205-2</b>	118, 120, 159 and 160		Pp. 175-178
<b>205-3</b>	160		Pp. 175-178

This material references Disclosure 102-55 from GRI 102: General Disclosures 2016.

Content	Page	Omission	Review
<b>GRI 301: MATERIALS, 2016</b>			
<b>301-1</b>	131		Pp. 175-178
<b>GRI 302: ENERGY, 2016</b>			
<b>302-1</b>	128 and 129		Pp. 175-178
<b>GRI 303: WATER, 2016</b>			
<b>303-1</b>	130		Pp. 175-178
<b>GRI 305: EMISSIONS, 2016</b>			
<b>305-1</b>	127 and 128		Pp. 175-178
<b>305-2</b>	127 and 128		Pp. 175-178
<b>305-3</b>	127 and 128	Scope 3 emissions are reported voluntarily, considering that it is not compulsory to do so in Mexico. The measurement process is currently being modified to adopt GHG methodology. This methodology will be used in the 2018 report.	
<b>GRI 306: EFFLUENTS AND WASTE, 2016</b>			
<b>306-2</b>	132		Pp. 175-178
<b>GRI 401: EMPLOYMENT, 2016</b>			
<b>401-1</b>	103 and 105		Pp. 175-178
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY, 2016</b>			
<b>403-1</b>	111	Information not available. The percentage of employees represented on the committees is being consolidated and will be included in the next report.	
<b>403-3</b>	111		Pp. 175-178
<b>GRI 404: TRAINING AND EDUCATION, 2016</b>			
<b>404-1</b>	107 and 108		Pp. 175-178
<b>404-2</b>	107 and 108	There are no training programs aimed at promoting staff employability.	Pp. 175-178
<b>404-3</b>	109		Pp. 175-178
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY, 2016</b>			
<b>405-1</b>	103, 106, y 141	Beyond the information provided, there are no other diversity indicators.	Pp. 175-178

This material references Disclosure 102-55 from GRI 102: General Disclosures 2016.

Content	Page	Omission	Review
<b>GRI 412: HUMAN RIGHTS ASSESSMENT, 2016</b>			
412-2	154		Pp. 175-178
412-3	92 to 94	Agreements governing significant investment projects over USD \$10 million, which are evaluated using the Equator Principles.	Pp. 175-178
<b>GRI 414: SUPPLIER SOCIAL ASSESSMENT, 2016</b>			
414-2	There are no negative social impacts on the supply chain.	Information not available. In 2017, there was no formal evaluation regarding supplier compliance with the protocol, but this will be undertaken in 2018 via an online questionnaire.	
<b>GRI 417: MARKETING AND LABELING, 2016</b>			
417-1	86 and 87		Pp. 175-178
<b>GRI 418: CUSTOMER PRIVACY, 2016</b>			
418-1	101	Two fines by the National Institute of Transparency, Access to Information and Personal Data Protection (INAI) for MXN \$4,206,000 and \$2,103,000, both of which were sent to the Tax and Administrative Appeals court. At the end of 2017 the findings of the court were still being awaited.	Pp. 175-178
<b>G4. FINANCIAL SERVICES SECTOR SUPPLEMENT 2013</b>			
FS1	52, 86, 87, 92 to 93, 140, 149 to 152		Pp. 175-178
FS2	52, 92 and 93, 149 to 152		Pp. 175-178
FS3	92 and 93		Pp. 175-178
FS15	86 and 87		Pp. 175-178
FS16	91		Pp. 175-178

# Verification letter

This material references Disclosure 102-56 from GRI 102: General Disclosures 2016.



**This limited assurance report was carried out based on the Spanish version of the Sustainability Report. This is a translation from the original in Spanish, in the event of a discrepancy in this version, the Spanish language version prevails.**

**Independent practitioner's limited assurance report on the Identified Sustainability Information of Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México ("BSMX"), as the successor of Grupo Financiero Santander México, S.A.B de C.V. ("Sanmex"), has presented this report, the scope of which focuses exclusively on the activities of Grupo Financiero Santander México, S.A.B. de C.V., the corporate name that was used until the end of 2017.**

To the management of Grupo Financiero Santander.

We have undertaken a limited assurance engagement in respect of the selected sustainability indicators listed below and identified within the "GRI Content index" of the 2017 Sustainability Report (hereinafter, "the identified sustainability indicators") which were prepared by Grupo Financiero Santander México, S. A. B. de C. V. (hereinafter Grupo Financiero Santander) for the year ended December 31, 2017, in accordance with the specific content "GRI Referenced" proposed in the Universal Standard, of the economic, environmental and social Standards, as well as the "Financial Services" Sector Disclosures of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) 2016 and the Financial Services G4 Sector Disclosures.

### Identified sustainability indicators subject to limited assurance

The following chart describes the reviewed GRI Contents in accordance with the specific content "GRI-Referenced" proposed in the Universal Standard, of the economic, environmental and social Standards, as well as the "Financial Services" Sector Disclosures of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) 2016 and the Financial Services G4 Sector Disclosures.

102-1	102-12	102-24	102-45	201-1	306-2	418-1
102-2	102-13	102-29	102-46	202-2	401-1	FS1
102-3	102-14	102-30	102-47	204-1	403-3	FS2
102-4	102-15	102-31	102-48	205-2	404-1	FS3
102-5	102-16	102-35	102-50	205-3	404-2	FS15
102-6	102-17	102-40	102-51	301-1	404-3	FS16
102-8	102-18	102-41	102-52	302-1	405-1	
102-9	102-19	102-42	102-53	303-1	412-2	
102-10	102-22	102-43	102-55	305-1	412-3	
102-11	102-23	102-44	102-56	305-2	417-1	

PricewaterhouseCoopers, S. C. Mariano Escobedo 573, Colonia Rincón del Bosque, C. P. 11580, Ciudad de México  
T: (55) 5263 6000, www.pwc.com/mx



# Verification letter

This material references Disclosure 102-56 from GRI 102: General Disclosures 2016.



Our limited assurance procedures were carried out with respect to the specific information related to such Contents included in the sustainability report for the year ended 31 December 2017, and we have not performed any procedures with respect to earlier periods or any other elements included in the 2017 sustainability report and, therefore, do not express any conclusion thereon.

## Criteria

The criteria used by Grupo Financiero Santander to prepare the sustainability indicators correspond to the specific content proposed in the Universal Standard, of the economic, environmental and social Standards, as well as the “Financial Services” Sector Disclosures of the Sustainability Reporting Standards of the *Global Reporting Initiative (GRI) 2016* and the Financial Services G4 Sector Disclosures using the GRI-Referenced option, as mentioned in the GRI Content index of the 2017 Sustainability Report (hereinafter “the Criteria”).

## Grupo Financiero Santander’s Responsibility on the Sustainability Indicators

Management of Grupo Financiero Santander is responsible for the preparation, contents and presentation of the 2017 Sustainability Report as well as the preparation of the sustainability indicators subject to limited assurance procedures in accordance with “GRI-Referenced” option of the GRI Standards and Financial Services Sector Disclosures, referenced in the GRI Content Index of the 2017 Sustainability Report. This responsibility includes the design, implementation and maintenance of relevant internal controls in order for the indicators to be free of material misstatement due to fraud or error.

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

## Inherent limitations

The absence of a generally accepted practice for the evaluation and measurement of non-financial information allows for the use of acceptable practices and measurement techniques that can be different to others and can affect comparability between entities

## Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

# Verification letter

This material references Disclosure 102-56 from GRI 102: General Disclosures 2016.



## Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on *Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. This standard require that we plan and perform this engagement to obtain limited assurance about whether the Identified Sustainability Information is free from material misstatement.

A limited assurance engagement involves assessing the suitability in Grupo Financiero Santander’s use of the Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the identified sustainability indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing the procedures we:

- Made inquiries of the persons responsible for the Identified Sustainability Information;
- Carried out an understanding of the process for collecting and reporting the Identified Sustainability indicators. Performed limited substantive testing on a selective basis of the identified sustainability indicators at corporate head office to check that data had been appropriately measured, recorded, collated and reported; and
- Considered the disclosure and presentation of the identified sustainability indicators.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Grupo Financiero Santander’s identified sustainability indicators have been prepared, in all material respects, in accordance with the Criteria.

## Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Grupo Financiero Santander Identified Sustainability Indicators for the year ended December 31, 2017 is not prepared, in all material respects, in accordance with the Criteria.



# Verification letter

This material references Disclosure 102-56 from GRI 102: General Disclosures 2016.



## Emphasis paragraph

As mentioned in the Corporate Governance section on the GRI Content Index of the 2017 Sustainability Report, at an Ordinary and Extraordinary Shareholder Meeting held on December 8, 2017, the shareholders of Grupo Financiero Santander approved the merger of Grupo Financiero Santander Mexico, S.A.B. de C.V. (the merged Company) with and into Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (the merging Company). The merger became effective as of January 1, 2018. The restructuring intends to comply with regulations issued by the European Central Bank.

During the restructuring Banco Santander, S.A. (Holding Company) established a new financial Group in Mexico (the "Nuevo Grupo Financiero").

## Use and distribution restriction

This report, including the conclusion, has been prepared solely for the management of Banco Santander México, S. A. (formerly Grupo Financiero Santander México, S. A. B. de C. V.), to assist them in reporting of sustainable development performance and activities. We allow the inclusion of this report within the 2017 Sustainability Report. We do not assume any responsibility to third parties other than the management of Grupo Financiero Santander.

PricewaterhouseCoopers, S. C.

C. P. C. José Ignacio Toussaint Purón  
Mexico City  
April 17, 2018

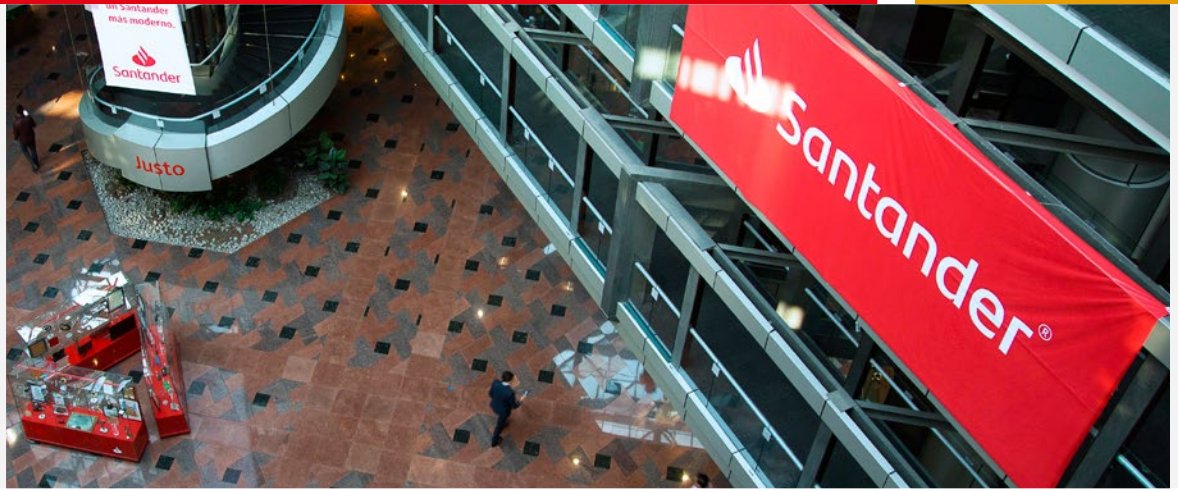


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 **Santander**