



Personal

Justo

Responsible BANKING



Sustainability Report

2018

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SANTANDER

Spain

- ✓ Message from Ana Botín
- ✓ Strategic Overview (Corporate)
- ✓ Responsible Banking (Corporate)

Message from Ana Botín

(102-12, 102-14, 102-15, 103-2, 103-3, 201-1)

(102-14, 102-15)

“The benefits of our strategy are now clear: we have successfully delivered on the targets we set in 2015, generating growth, profitability and financial strength”.

Ana Botín



Dear shareholder,

During 2018, we have once again been relentless in focusing on earning the lasting loyalty of our people, customers, shareholders and communities. We have made more of what we do Simple, Personal and Fair. And we have done all we can to fulfil our purpose – to help people and businesses prosper.

I want to start by thanking every single one of the Santander team for once again doing their very best, and our Board for all their support and guidance.

1.- Successful Execution of our Strategy Delivers Growth, Profitability And Strength

The benefits of our strategy are now clear: we have successfully delivered on the targets we set in 2015, generating growth, profitability and financial strength.

First, growth. Very few European banks have been able to grow their revenues in the last three years, but Santander has delivered a +7% CAGR in revenues since year-end 2015, excluding the impact of currency depreciation. Customer revenues have reached 46 billion euros in 2018, up from 37 billion euros in 2015 on a constant currency basis and net fees have grown at a 10% CAGR over the last three years.

We have done this in a sustainable way, increasing our loyal individual customer base by 43% to 18.1 million over the period; and increasing our loyal SMEs and corporates customer base by 66% to 1.7 million. This has been driven in large part by our digital and commercial transformation. We now have 32 million digital customers, up from less than 17 million in 2015.

This strong Group performance is thanks to the turnaround led by our new teams over the plan period. For example, in Brazil and Mexico, our focus on earning customer loyalty has improved the RoTE from below 15% to 20%. We are now applying the same approach in the US, where we have spent the last three years laying the right foundations for future growth.

Our global businesses, which allow our local banks to leverage the Group’s scale, have also powered our progress. Santander Corporate and Investment Banking can combine the strengths, expertise and relationship of our local banks with our Group’s global presence, achieving an improved cost-to-income ratio close to 40% and a RoRWA of 1.8%. Our new Wealth Management division has grown underlying attributable profit by 17% and reached a RoTE of 77% (excluding excess capital) in its first year of operations as a global unit, demonstrating the value we are able to generate when working together. Combined, these two global platforms represent around 22% of our profit.

Next, profitability. The Group remains one of the most profitable and efficient banks among its global peers. Our attributable profit has grown from 6.0 billion euros in 2015 to 7.8 billion euros in 2018. We have an underlying RoTE of 12.1%, an improvement of +110 basis points compared to 2015, and a best-in-class cost-to-income ratio of 47.0%.

Finally, strength. Thanks to this performance, we have become stronger. Santander has strengthened its capital significantly – adding about 18 billion euros to its Common Equity Tier 1 (CET1) ratio fully loaded since 2015, taking it from 10.1% to 11.3%, exceeding our revised target of being above 11%.

(102-14, 102-15)

We have done all this while rewarding our shareholders' loyalty, with clear targets since 2015 of improving per share metrics. Total dividends from 2018 profit is expected to be 23 euro cents per share. Since 2015, cash dividend per share has increased by 31% (up to 0.20 euros per share), and total dividend per share has increased by 17%. When you look at the big picture, we have created significant shareholder value during the period, increasing tangible book value per share plus cumulative cash dividend per share by +27% (+8% CAGR) for the last three years, taking into account the scrip dividend impact. On a constant currency basis, the increase was +41% (+12% CAGR) for the same period.

Santander's market valuation is among the best of our European peers – and we have consistently been in the top quartile in terms of Total Shareholder Return over the plan period.

2.- Strengthening our Foundations

At the same time, we have implemented fundamental change across our organization, which has underpinned this performance. We have strengthened and reinvigorated our teams, both at headquarters and in the countries. We have also refreshed our governance and embedded a new culture, all of which bolstered the Group's solid foundations.

We have made our teams and our Board, at Group and in our main markets, more diverse and international. We have reinforced our leadership teams at Group level with high-calibre new hires for key roles in Digital or Technology and Operations, equipping our senior management with more broadly based global perspectives and expertise. Since 2015, we have built a top-class team leading our local banks, with new Country Heads for our top five markets.

Although Banco Santander leads the Bloomberg Gender-Equality Index, last year we issued guidelines to ensure that building a diversified workforce is a priority across the Group. Our aim is to have women in 30% of leadership positions by 2025. In addition, the Board recognizes the important benefits of having an appropriately balanced board composition. It has therefore adopted the aim of achieving an increased female representation on the Board between the range of 40% to 60%.

While doing this, over the last three years, we have embedded a new culture. We want everything to be done in a Simple, Personal and Fair way, and we now measure our performance at doing this. The remuneration of our senior team is now based on how they achieve their goals, not simply what they achieve. Underpinning this, we have embedded eight corporate behaviours that we expect everyone to follow; a strong common approach to risk (RiskPro); and several programmes to ensure that people have the confidence to raise issues or concerns.

These improvements build on the Group's strong foundations. We have scale. We now serve 144 million customers worldwide (up from 121 million in 2015), representing a wide range of income groups in developed and emerging economies. Our markets have a combined population of one billion people – 200 million of whom in Latin America are “unbanked”. We are one of the top three banks in nine core countries in Europe and the Americas.

This scale is integral to our business model. 100,000 of our people interact with customers each day. With 13,000 branches across our markets and the reach of our digital banking offering, we are able to leverage unprecedented customer insight to create deep and lasting relationships with them.

In addition, we are diversified. In 2018, 52% of our underlying attributable profit came from European markets and 48% from the Americas, where the potential for profitable growth is significantly higher. Out of our 874 billion euros gross loans at end of 2018, 19% was in Latin America, 10% in US and 71% in Europe.

This diversification, together with our scale and business model, makes us more predictable: we deliver consistent results throughout the economic cycle, generating superior value for our shareholders. Compared with our peers, who are some of the best banks in the world, Santander has had the lowest volatility in earnings per share over the last 20 years, as well as over the past four years, while we have continued to increase our profitability.

This performance is also based on prudent risk management. Our long-standing approach to risk is now bolstered by our use of the latest technology. Santander Analytics has hired around 200 scientists from key technical fields (mathematics, statistics, engineering, data science), who collaborate with global experts in data analytics. We are introducing cutting-edge techniques based on artificial intelligence and machine learning to support advanced risk management.

All of this has helped to improve our risk profile: the credit quality of our portfolios has shown a positive trend for over five years, both in terms of non-performing loans and cost of credit (now at pre-crisis levels). We have also proven our resilience in the 2018 ECB/ EBA stress test exercise, where Santander was the bank with the strongest capital generation among its peers in the baseline scenario, and had the least capital depletion in the stress scenario.

	2015	2018
Loyal customers (mn)	13.8	19.9
Digital customers (mn)	16.6	32.0
Net fee income (%)	-	~10

	2015	2018
Cost of credit (%)	1.25	1.12 ¹
Cost-to-income (%)	48	47
FL CET1(%)	10.05	11.30

	2015	2018
EPS (%)	-	11.2
DPS (EUR)	0.20	0.23
RoTE (%)	10.0	11.7

Underlying 2018 RoTE 12.1%.
1. 2018 figure relates to 2015 – 2018 average

CIB RoRWA	
2015 (%)	1.5
2018 (%)	1.8

(102-14, 102-15 103-2, 103-3, 201-1)

“We have strengthened and reinvigorated our teams, both at headquarters and in the countries. We have also refreshed our governance and embedded a new culture, all of which bolstered the Group's solid foundations”

Scale

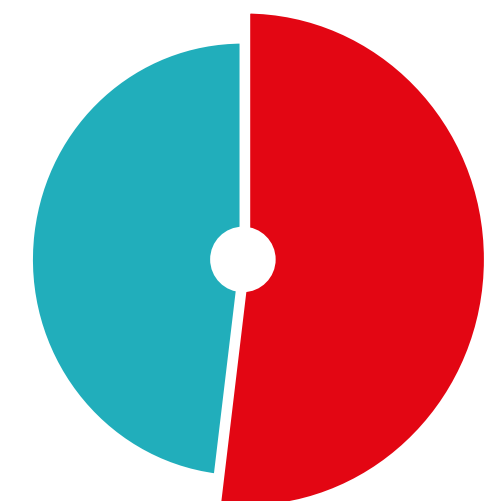
144
million customers worldwide.

Business model

100,000
of our people interact with customers each day.

Diversified

Contribution to underlying attributable profit.



■ Europe: 52%
■ Americas: 48%

(102-14, 102-15)

(102-14, 102-15)

3.- Our Focus on Improving Returns

This brings me to the issue of capital. Over the last three years, we have taken a number of actions to bolster capital levels and improve capital allocation to enhance profitability as the European banking sector continued to face heightened capital requirements.

In 2015, only 40% of our capital was invested above the cost of equity returns. Today about 90% is yielding returns above that level. In particular, the increase in our profitability in Brazil, Mexico and Spain has led to a significantly improved RoTE at a Group level. Additionally, we have made great strides improving our overall business in the US and today most of our businesses there are delivering returns above the cost of equity, we have plans to continue improving. The US as a country delivered 7.6% RoTE in 2018 (with normalized 11.3% capital level) and increased underlying profits by 42% year on year (+74% attributable profit).

Over the last three years, we have focused on building the foundations for growth at SBNA – making leadership changes, fixing regulatory issues, and enhancing technology. These efforts are starting to bear fruits in terms of margin improvement and cost containment, and we are confident we will be able to generate value from our US franchise, which will accrue to the Group over the next few years.

This improvement in our capital allocation and profitability has been combined with a very disciplined approach to inorganic growth over the last three years – like the acquisition of the Deutsche Bank retail franchise in Poland or BANIF in Portugal – or on the buyback of strategic businesses like Santander Asset Management. We have also had the discipline to divest non-core assets such as the Allfunds platform, Totalbank in the US, Private Banking in Italy, and a reduction of our real estate exposure in Spain by over 70% in 2018. The acquisition of Banco Popular was the largest transaction we undertook in the last three years, making us Spain's biggest bank and strengthening our position in the strategic SMEs segment of the market. This acquisition was supplemented by the quick disposal of 51% Popular's real estate assets. It will deliver the 13% - 14% return on investment we identified at the time of the transaction.

“Over the last three years, we have taken a number of actions to bolster capital levels and improve capital allocation to enhance profitability”

RoTE 2018

Brazil	20%
Spain	11%
UK	9%
SCF	16%
Mexico	20%
Chile	18%
US ¹	8%
SBNA ^{1,2}	7%
SC USA ¹	21%
Portugal	12%
Poland	10%
Argentina	12%

1. Adjusted RoTE for 11.30% CET1, otherwise Santander US 4%, SC USA 13.3%
2. SBNA excluding US HoldCo

“We are confident we will be able to generate value from our US franchise, which will accrue to the Group over the next few years”

“This improvement in our capital allocation and profitability has been combined with a very disciplined approach to inorganic growth over the last 3 years”



+33%
(CAGR 7%)

Adjusted TNAVps+cash DPS
(Jan15-Dec18)



+47%
(CAGR 10%)

Adjusted TNAVps+cash DPS
Excluding FX (Jan15-Dec18)

On top of this approach to acquisitions and disposals, we have improved, and will continue improving, our internal capital allocation in the following ways.

First, we have established a target minimum threshold return per client in our CIB business as well as limiting the investment period. As a result, we have improved our RoRWA in this business from 1.5% to 1.8% in 2018. We are now implementing this methodology for the next segment, middle market corporates, in all our core countries, combining financial discipline with providing the best service to our loyal customers.

Second, profitability and capital allocation have greater weighting in senior managers' remuneration, as we have increased the weight of the RoTE for the bonus pool calculation.

And finally, we continually examine our balance sheet to identify non core assets for disposal, such as real estate (including our own), equity stakes we hold in companies, or non-core IT assets.

By improving our core profitability to generate a RoTE between 13-15% in the next few years (depending on where interest rates end up) and using capital more efficiently, we will be able to generate more capital that can be used to re-invest in high growth profitable businesses, pay more dividends and, if necessary, increase capital buffers.

4.- A Digital Santander

To continue growing in a sustainable and profitable way and to accelerate execution, we will remain focused on our digital transformation.

First, the transformation of our core banks (“supertankers”). Every product and service we offer today to our customers can, and should be delivered digitally. And, in parallel, we must deliver a more efficient and better service.

The digitisation of our core banks is already delivering revenue growth and continuous improvement of our cost-to-income ratio. The acceleration of our transformation will power the virtuous circle of success – as offering a better service to our customers should increase their engagement with us, thereby increasing their loyalty, consequently growing our revenue.

Second, we are changing our organization to increase speed of execution and bring the benefits of the Group to a broader set of customers – small and medium sized companies and merchants. During the first quarter of 2019, we are launching two new global platforms, Global Trade Services and Global Merchant Services, which will report to our Brazil and Mexican CEOs and will be supported by Group teams. This will further leverage our scale across the Group – just as we have successfully done with our CIB and Wealth Management businesses. These new digital platforms are flexible, offering Santander customers – and non-customers – an ecosystem of services, and an improved customer experience at a lower price. We will give further details on them at our Investor Day.

(102-14, 102-15)

While we future-proof our “supertankers” and build Group-wide platforms, we are also creating “speedboats”. These new ventures can compete in – and disrupt – markets that our “supertankers” cannot easily enter; they can service customers in our core banks; and they can also grow faster as autonomous businesses.

Openbank is a good example. Based in Spain, it is now the single largest fully digital bank in Europe in terms of balance sheet and deposits, and one of the few to provide the full array of banking products to individuals. With around 8.3 billion euros in customer deposits (up 1.3 billion euros since last year), it has grown its mortgages 370% in the last year and primary – loyal – customers by 51% in just two years. Openbank is also the testing ground for our future technology platform, as well as other ideas and initiatives which are shared across the Group.

Then there’s OnePay FX, one of the first applications of blockchain-based technology to operate at scale anywhere in the world. It allows customers in the UK, Spain, Brazil and Poland to transfer funds more quickly and transparently than ever before. Meanwhile, in Latin America there’s Superdigital. Providing basic banking services, it is focused mainly on the unbanked population as a low-cost alternative to traditional banking. Its active customer base has grown 70% since 2016 and it has already reached breakeven with 1 million euros in EBITDA.

Building global digital platforms is critical if we want our customers to see Santander as “my bank”, a bank that understands their individual needs and offers them the products and services they want, whenever and wherever they want them. The goal is not only to serve our current customers better and attract new ones, but also to attract third parties to Santander’s platforms, to build a network, boosting innovation and making it quicker to bring new products and services to the market. Better still, thanks to our shared services and common infrastructure across the world, we can change the rules of the game in markets where we were previously sub-scale, such as the US.

We are developing a culture of experimentation. We are willing to try promising ideas, accepting that some might not work; and we are ensuring that when they don’t, we stop investing. Importantly, “speedboats” and “supertankers” work independently, but far from “cannibalizing” each other, by sharing their knowledge and capabilities are accelerating our transformation, boosting our growth.

“To continue growing in a sustainable and profitable way and to accelerate execution, we will remain focused on our digital transformation”

Openbank 

 | One Pay FX

 superdigital

“Doing the basics brilliantly is essential – but it is no longer enough. We need to show how our business is delivering profit with a purpose”

tuiio®  PROSPERA 
FINANZAS DE TÚ A TÚ Santander Microcrédito

(102-14, 102-15)



273,000
microentrepreneurs supported in
2018 by Santander.

5.- A more responsible Santander

Digital technology has given customers more power and choice than ever before. They don’t just expect us to deliver a great service at a great price, but want us to use our role and position in the market to help address wider challenges that society faces. Santander has always strived to do this, but now it is even more important that we are responsible in all we do. Doing the basics brilliantly is essential – but it is no longer enough. We need to show how our business is delivering profit with a purpose. All our stakeholders – our people, customers, shareholders and communities – expect no less.

To achieve this, we have begun to embed new governance across the Group, including during 2018 the creation of the new Responsible Banking, Sustainability and Culture Committee of the Board, to ensure that wherever we operate, our senior management is focused on the need to be responsible in all we do and on the challenges we face.

First, there is the challenge of the new business environment. Regulators, governments and society as a whole are placing increasing demands on how businesses are run, beyond compliance. So we must ensure we have the right culture, skills, governance and business practices. The second challenge is to support inclusive and sustainable growth – especially in a world where there is a rising sense of inequality, and a growing recognition of the urgent need to tackle climate change. We can address these challenges in a number of ways – such as our Universities programme, our financial empowerment initiatives or the financing we provide to renewables, which are just some examples of what we are doing.

The strength of our performance overall is born out by Santander being ranked third in the world among banks – and number one in Europe – in the Dow Jones Sustainability Index. Behind that achievement are stories of how, each day, we are helping to improve people’s lives.

Let me take you to Santiago Tianguistenco in Mexico. There, I met some women who told me that, in the past, banks had told them their businesses were too small for them to open an account. Now, thanks to Santander’s Tuiio financial empowerment programme, they can grow their family businesses. The micro-loans we offer are small, and the default rate is extremely low. The loan is provided to a group of women, to finance their various businesses. One woman told me she now saves four hours every day, as she no longer has to go to Mexico City to collect payments from customers. She showed me her Santander credit card, her first ever, which she proudly displayed as a sign of her entrepreneurial status. These women – many are women – were grateful that a bank had taken an interest in them.

“While the global economic expansion is weakening as a result of the resurgence of trade tensions, the growth prospects for the world economy in 2019 continue to be reasonably positive, particularly in the main markets in which we operate”

Now let’s go south, to São Mateus just outside of São Paulo, Brazil, where I visited the Santander branch on Avenida Mateo Bei. Through Santander Prospera we offer microcredit and

(102-14, 102-15)

other financial services to those on very low incomes. Half of our customers are below the poverty line and our subsidized low-interest rates loans can be for as little R\$100 up to R\$13,000 (around 20 to 3,000 euros).

Digital technology is allowing us to help more people. For example, via Prospera, one year ago it took us 10 days to approve a loan: now it only takes us 10 seconds. In one year, we have helped 100,000 customers – the same as we have helped in the previous 10 years. As we help transform people's lives, we are building a new business with tremendous potential. The scale of the unbanked and underserved population in markets such as Brazil or Mexico will contribute to our growth, delivering shareholder value by creating profit while fulfilling our purpose as a bank.

Alongside this, we obviously bank large multinationals and corporates. As a leader in project finance, our loans help these businesses benefit society by, for example, building the largest solar power plant in Latin America. We have been recognized as the leading bank in the world by number of renewable energy projects financed.

This is responsible banking in action – helping people to realise their dreams and to create new jobs and new opportunities, sharing the benefits of economic growth. While we're proud of what we have achieved, we're certainly not complacent. We have plans to do more in the years ahead to deliver profit with a purpose: supporting more small businesses to create jobs; helping more people access finance; providing more finance for the low carbon economy; widening access to education; and fostering sustainable consumption.

6.- Looking Ahead

Like all businesses, we operate in a volatile global economy. In many of our markets there is increasing political uncertainty. And all this is against a backdrop of tough supervisory and regulatory requirements, especially in Europe.

“Santander’s aim as a bank is to be the best open financial services platform by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities. We shall achieve this by being Simple, Personal and Fair in all we do”

Our medium term targets

RoTE	13%	-15%
CET1	11%	-12%

While the global economic expansion is weakening as a result of the resurgence of trade tensions, the growth prospects for the world economy in 2019 continue to be reasonably positive, particularly in the main markets in which we operate. Specifically, the IMF forecasts that Spain, at 2.2%, will continue to exhibit the highest growth rate of the major European Union economies; that the United Kingdom, despite Brexit, will maintain a growth rate of 1.5%; that Brazil's growth will accelerate from last year to 2.5%; and that Mexico will grow at 2.1%.

Against this backdrop, banking activity should grow thanks to changing demography, and more people using more financial services. Countries' GDP grows faster when the proportion of people who are in their late 20s and early 30s expands rapidly – as people in these age segments are in their most productive

years, both in terms of earning and spending. This happened in the US with the “baby boomers”, and in Spain over the last 30 years. We are now seeing this trend in Latin America where the median age is the late 20s and early 30s – and there are 400 million people living in the markets in which we operate.

As a result, Brazil – where we are one of the top three privately owned banks, with 42.1 million customers – is projected by PwC to become the 5th largest economy in the world by 2050. Mexico, where we are also one of the top three banks, will become the world's 7th largest economy. Argentina, despite its current economic difficulties, is expected to grow into a \$2.4 trillion economy. In the medium term, we expect the Latin America economy to grow between 3-4% as per its GDP potential. On top of this, the growth in digital will spread banking in Latin America, with more digital customers who are more loyal, use more products and services, contributing to our revenue growth.

As mentioned, we anticipate growth this year will not be as strong in more mature economies. Santander can counterbalance this thanks to recent acquisitions in Spain, Portugal and Poland – a country with 38 million people and high growth potential – and the continuing commercial turnaround of our businesses in the US. In the UK, where we have weathered uncertainties in the past, we are confident we are ready to do so once again. Finally, elsewhere in Europe, Santander Consumer Finance will maintain its solid progress and best in class profitability. And the United States remains the largest and most attractive banking market in the world, with attractive margins, scale and growth.

All this should allow us to keep delivering on our plans as we have done for the last strategic cycle (2015-2018), growing our revenues and our earnings per share while achieving our medium term targets of a RoTE of 13% - 15% and a CET1 Fully Loaded of 11% - 12%.

I am confident we can do this because we have scale, 144 million customers in 10 large markets, local leadership positions, and a proven business model that creates unique and deep personal relationships with our customers. And because, coupled with our diversification across developed and developing markets and Europe and the Americas, these deliver more predictable and profitable growth.

In April we will set out our plan for the next few years. The basics of the strategy will not change – we will continue to follow the same approach that has delivered success over the past three years: a relentless focus on loyalty.

But as we look to the future, we need to reflect our approach to responsible banking and digital technology in our bank's global aim. Therefore, from now on, Santander's aim as a bank is to be the best open financial services platform by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities. We shall achieve this by being Simple, Personal and Fair in all we do. By doing this, we will fulfil our purpose.

I would like to end as I started: by thanking the Santander team for the commitment, energy and dedication everyone has shown over the last few years. We have shown we can rise to the challenges we face by going the extra mile for our customers, and that we have what is required for Santander to succeed in the future. Again, thank you also to our outstanding Board of Directors for their support and counsel.

I am confident that together we will continue to progress and we will achieve our goals for the next years. Our success since 2015 shows we have all we need to help more people and businesses prosper.



Ana Botín
Group Executive Chairman

Strategic Overview (Corporate)

(102-10, 102-12, 102-14, 102-15)

Our success is based on a clear purpose, aim and approach to business. We are building a more responsible bank. We want to help people and businesses prosper in a Simple, Personal and Fair way, to earn the lasting loyalty of our people, customers, shareholders and communities.



Santander Vision

Our Purpose

To help people and businesses prosper.

- In our day-to-day business, we do not simply meet our legal and regulatory requirements, but we aspire to exceed people's expectations by being Simple, Personal and Fair in all we do.
- We focus on areas where, as a Group, our activity can have a major impact by helping more people and businesses prosper in an inclusive and sustainable way.

Our Aim as a bank

To be the best open financial services platform, by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities.

Our how

Everything we do should be Simple, Personal and Fair.

A strong performance

Growth

19.9 mn (+44%)
Loyal customers.
EUR 45.8 mm (+24%)*
Customer revenues.

Profitability

11.7% (+171 bps)
RoTE.
47% (-61 bps)
Cost-to-income.

*2015 vs. 2018

By focusing

on loyalty, we have met the financial targets we set in 2015. We have consistently delivered growth, profitability and balance sheet strength.

Strength

11.30% (+125 bps)

Fully loaded CET1.

3.73% (-63 bps)

NPL ratio.

	2015	2018
Number of core markets where the Bank is among the top 3 best banks to work for	3	7
Loyal customers (mn)	13.8	19.9
Digital customers (mn)	16.6	32.0
Fee income (%) ²	-	~10
Cost of credit (%)	1.25	1.12 ³
Cost-to-income (%)	48	47
Growth in earnings per share (%)	-	11.2
Dividend per share (EUR)	0.20	0.23 ⁴
Fully loaded CET1 (%)	10.05	11.30 ⁵
RoTE (%) ⁶	10.0	11.7
Scholarships and grants (thousand)	35	155 ⁷
People supported in our communities (mn)	1.2	6.3 ⁷

1. Constant euros.
2. % change (constant euros), 2018 figure relates to 2015-2018 CAGR.
3. 2018 figure relates to 2015-2018 average.
4. Total dividend charged to 2018 earnings is subject to approval by the 2019 AGM.
5. 2018 data applying the IFRS9 transitional arrangements.
6. Underlying 2015 RoTE: 11.0%. Underlying 2018 RoTE 12.1%.
7. Refers to cumulative activity in 2016-2018. The Bank has devised a corporate methodology reviewed by an external auditor to consistently keep track of people who have benefited from our social programmes, services and products.

Note: 2015 metrics have been re-stated to reflect the capital increase of July 2017.



By building loyalty, and acting responsibly, we generate value for all our stakeholders.



¹ Refers to cumulative activity in 2016-2018. The Bank has devised a corporate methodology reviewed by an external auditor to consistently keep track of people who have benefited from our social programmes, services and products.

Building A Responsible Bank from our Core Strengths

Santander is a retail bank with a unique business model underpinned by 3 strengths.

1. Our Scale

provides potential for organic growth.

- We maintain a leadership position in our core markets.
- Collaboration across the Group results in significant cost savings and higher revenues.

Top bank in 6 out of our 10 core markets^A



Top 3



Top 5



Auto Lending^B

A. Market share by lending.
B. Non-prime auto lending.

2. Unique Personal Banking Relationships

strengthen customer loyalty.

- We serve 144 million customers in markets, with a total population of more than 1 billion people.
- We have over 100,000 people talking to our customers every day in our more than 13,000 branches and contact centers.



3. Our Geographic and Business Diversification and our Model of Subsidiaries

make us more resilient under adverse circumstances.

- We have a well-balanced distribution between mature and developing markets, and a good mix of products for individuals and companies.
- Our model of subsidiaries, autonomous in liquidity and capital, allows the Group to mitigate the risk that the difficulties of one subsidiary affect the rest.
- Subsidiaries are managed by local teams providing the best customers knowledge within their markets.

Balanced diversification^A



■ Europe: 52%
■ Americas: 48%

~97% of our profits from our 10 core markets.

A. Underlying attributable profit 2018, excluding Corporate Centre and Spain Real Estate Activity. For further details, see more information in sections 3 and 4 of the Economic and financial review chapter.

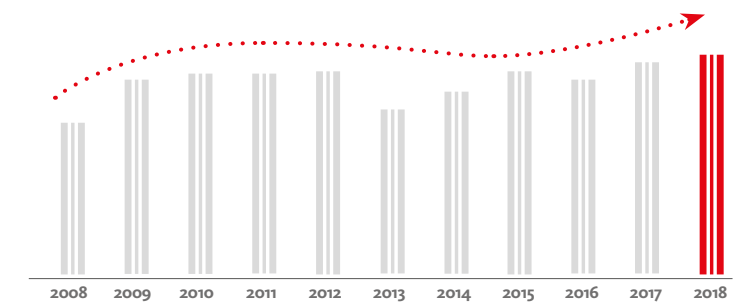


Our strengths have historically resulted in:

Higher earnings predictability

Resilient profit generation throughout the cycle

Group net operating income^A (EUR billion)



A. Net operating income = Total income - operating expenses.

Over the last 20 years, earnings have increased x4 with low volatility.

Our vision and our strengths are sound pillars to face potential challenges:

- Our strong balance sheet and our model of subsidiaries make us less vulnerable to face a potentially adverse macro environment.
- Our scale and best-in-class efficiency ratio mitigate potential impacts from increases in costs of doing business.
- We are transforming our core banks while launching innovative ventures to address challenges emerging from the new digital era.
- We have a clear focus on acting responsibly to meet higher expectations from our stakeholders.

We have successfully completed our 3 year plan

Strategic priorities	Key metrics	2015	2018
People Be the best bank to work for and have a strong internal culture.	Number of core markets where the Bank is among the three leading banks to work for	3	7
Customers Earn the lasting loyalty of our individual and business customers. Digital transformation and operational excellence.	Loyal customers (mn)	13.8	19.9
	Digital customers (mn)	16.6	32.0
	Fee income (%) ^A	-	~10
Shareholders Capital strength, risk management and profitability.	Cost of credit (%)	1.25	1.12 ^B
	Efficiency ratio (%)	48	47
	Growth in earnings per share (%)	-	11.2
	Dividend per share (EUR)	0.20	0.23 ^C
	Fully loaded CET1 capital ratio (%)	10.05	11.30 ^D
Communities People supported in the local communities where the Group operates.	RoTE (%) ^E	10.0	11.7
	Scholarships (thousand)	35	155 ^F
	People supported in our communities (mn)	1.2	6.3 ^F

A. % change (constant euros). 2018 figure relates to 2015-2018 CAGR.
 B. 2018 figure relates to 2015-2018 average.
 C. Total dividend charged to 2018 earnings is subject to the 2019 AGM approval.
 D. 2018 data applying IFRS 9 transitional arrangements.
 E. Underlying RoTE 2015: 11.0%. Underlying RoTE 2018 12.1%.
 F. It refers to cumulative activity in 2016-2018.
 Note: 2015 metrics have been re-stated to reflect the capital increase of July 2017.

Our strategy is built around a virtuous circle based on trust:

People

Team engagement

Strong S|P|F culture^A

Simple	63%	69%
Personal	63%	74%
Fair	75%	

2015 2018

% of employees that consider Santander is Simple, Personal and Fair.

Employees who are engaged...

- A key focus of our strategy is to embed a strong culture based on our values: Simple, Personal and Fair.
- How we do things is as important as What we do.
- Our employee engagement levels are above the industry average.

Customers

Digital sales over total sales

Loyal customers

Lower churn
Attrition rate (%)

-66%

...generate more loyal customers...

- Increase in loyal customers, both individuals and businesses, has resulted in a significant growth in revenues, loans and customer funds.
- Loyal customers use more our digital channels as they hold more of our products and services and interact with us more often.

Shareholders

Group customer revenues
Net interest income + Net fees (constant EUR billion)

Earnings per share
Double digit growth
11.2%
(2018 vs. 2017)

Cash dividend per share
+31%
Increase since 2015

...leading to strong financial results...

- Our focus on customer loyalty is delivering results: customer revenues have increased 24% from 2015 to nearly EUR 46 billion.
- We have significantly strengthened our balance sheet in the last 4 years generating 304 basis points of capital (applying IFRS 9 transitional arrangements).
- We have become even more resilient while growing our business and increasing dividends.

Communities

~6.3 million people supported 2016-2018

155 thousand scholarships granted 2016-2018

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

3rd bank in the world

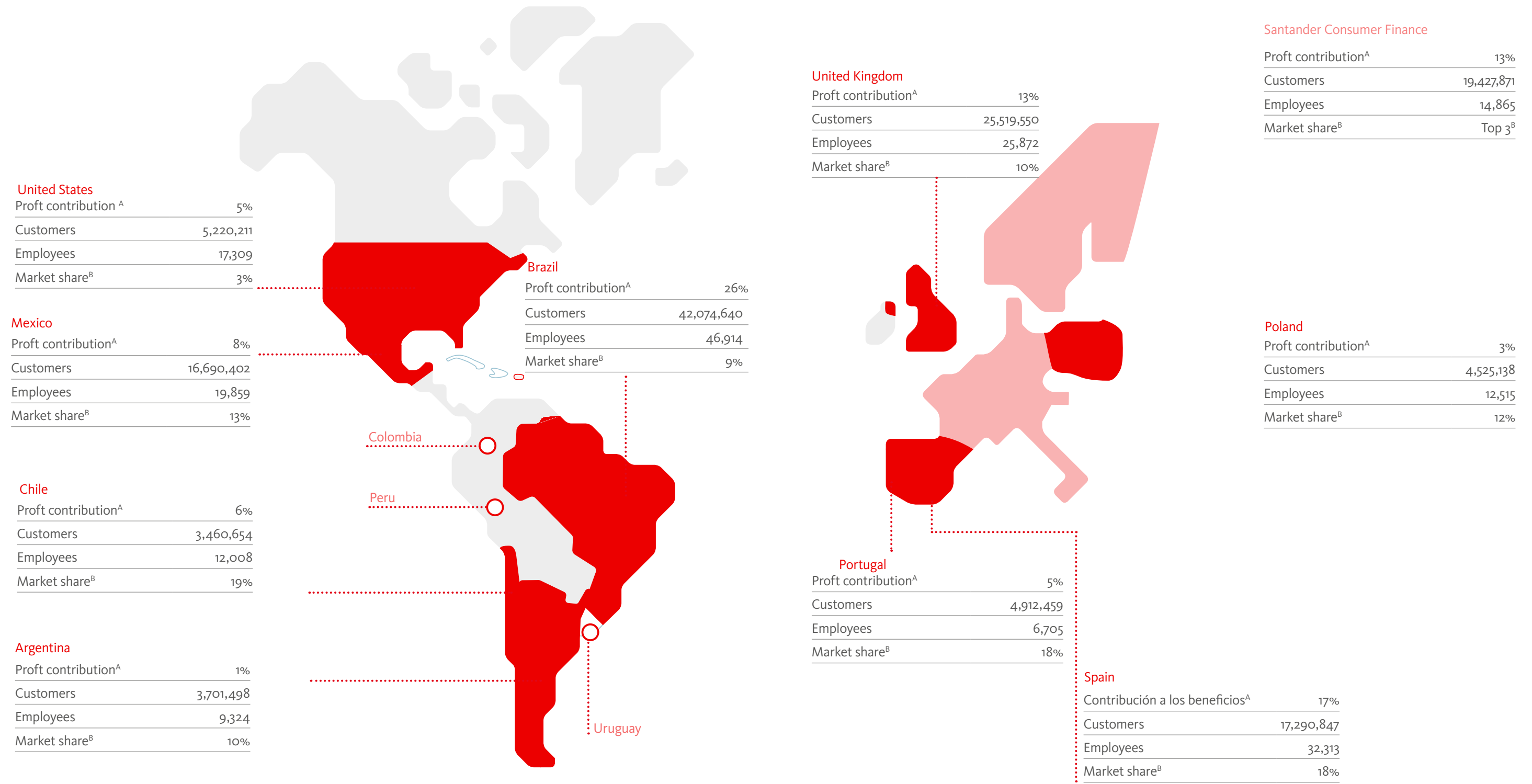
1st bank in Europe

Highest score among peers: 95.3 points out of 100

...and more investment in communities.

- We 1,235 have agreements with academic institutions in 33 countries. 7,647 partnerships with social institutions and entities.
- We are the leading global bank financing renewable energy projects (#1 by number of transactions, #2 by volume, according to Dealogic).
- We are delivering profits in a responsible way supporting inclusive and sustainable growth.

Our balanced geographic diversification has been key to deliver stable and predictable growth



A. 2018 underlying profit. Excluding Corporate Centre and Spain real estate activity. For further details, see more information in sections 3 and 4 of the Economic and financial review chapter.

B. Loans. UK: lending comprises UK mortgages (excluding social housing), consumer credit and commercial lending (excluding financial institutions). Poland: including Santander Consumer Finance business (SCF); US: in the states where the Group operates. SCF: Top3 in our main markets in new lending of auto loans.

- Main countries
- Santander Consumer Finance
- Other countries

Responsible Banking (Corporate)

(102-10, 102-12, 102-14, 102-15)

“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.

Communities are best served by corporations that have aligned their goals to serve the long term goals of society.”

Ana Botín



By being responsible, we build loyalty



I'm loyal to Santander because...

... Santander treats me responsibly

In our day-to-day businesses, we ensure that we do not simply meet our legal and regulatory requirements, but we exceed people's expectations by being Simple, Personal and Fair in all we do.

... Santander acts responsibly in society

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

Helping people and businesses prosper - our performance

People
EUR 11,865

million. Personnel cost^A.

96%

of employees with permanent contracts.

10.4

years Average length of employment.

Customers

EUR 882,921

million. Loans outstanding (net).

EUR 487,695

million to households.

EUR 22,659

million to public administrations.

EUR 301,975

million to companies.

EUR 70,592

million to others^B.

>273,000

Microbusinesses supported

A. From Group consolidated financial statements.
 B. Including financial business activities and customer prepayments.

(103-2, 103-3)

Shareholders

EUR 3,724million. Total shareholder remuneration^c.**EUR 64,508**

million. Stock market value at year-end 2018, largest bank in the euro zone.

EUR 0.23Dividend per share,
4.5%^c vs 2017

Communities

EUR 179

million. Community investment.

EUR 58

million. Investment in universities.

EUR 121

million. Investment in programmes and projects to support communities

Suppliers

EUR 3,619million. Payments to suppliers^d.**10,628**

Approved suppliers through our global procurement model.

95%

Local group's suppliers.



Tax contribution

EUR 16,658

million. Taxes paid and collected by Santander.

EUR 3,458

million. Corporate income tax

EUR 3,598

million. Other own taxes paid, including social contributions.

C. Subject to the approval of the total dividend against the 2018 results by 2019 Annual General Meeting.

D. Data refers exclusively to purchases negotiated by Aquánima.

What our stakeholders tell us

Analysing, assessing and responding to the opinions and concerns of all our stakeholders is a fundamental part of our effort to operate as a responsible bank and make all we do Simple, Personal and Fair (SPF).

Engagement with all stakeholders helps to build value

Earning and keeping people's loyalty is the key to creating lasting value. To do this, we must understand the concerns of all our stakeholders. By listening to their opinions, and measuring their perceptions of the Group, we not only identify issues, we also spot opportunities.

In 2018 we conducted a survey to identify what our employees, customers and society think a responsible bank should do. These findings helped us as we analysed what the leading environmental, social and governance analysts are telling us.

Key Dialogue Channels for Stakeholder



People

- 88%** of participation in the global engagement survey.
- 83%** of employees believe that their colleagues behave more simple.
- 86%** of employees feel proud to work for Santander.
- 3,879** complaints received through ethical channels.

Communities

- 6,000** interviews to university students about the perception of Santander as Simple, Personal and Fair.
- 1,235** agreements with universities and academic institutions.
- 7,647** partnerships with social institutions and entities.
- 253** profiles and 16 millions followers in social networks.

Customers

- 1 million** surveys to measure and monitor customer satisfaction.
- +40,000** interviews to banked population about the perception of Santander as Simple, Personal and Fair.
- 13,217** branches.
- 316,094** complaints received.

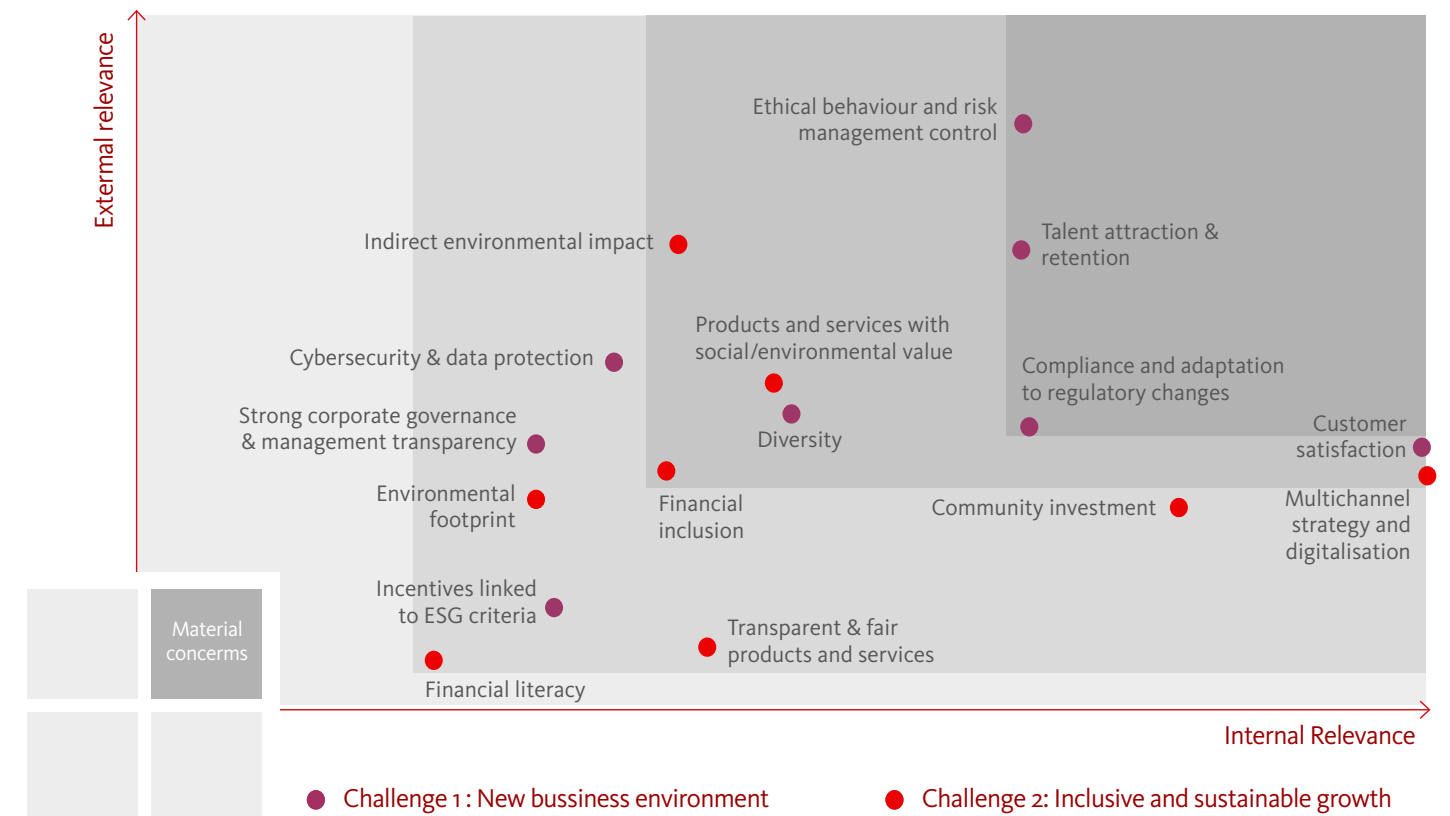
Shareholders

- 10,000** interviews to shareholders about the perception of Santander as Simple, Personal and Fair.
- 391,926** Shareholder and investor consultations through studies and qualitative surveys.
- 166,149** queries managed by email, phone, WhatsApp and online meetings.
- 252** meetings with shareholders.

Identifying The Issues That Matter

Santander also regularly analyses the most relevant social, environmental and ethical behaviour issues through its materiality assessment. This systematic study is conducted across the whole Group's value chain on an annual basis, and consists of a far-reaching quantitative and qualitative analysis that uses information from both internal and external sources. The materiality matrix shows the concerns Santander has identified as most important for its stakeholders in the analysis.

Relevant Aspects For The Group Matrix



Through this analysis, we have identified two major challenges to move towards a more responsible banking model.

Challenges and Opportunities

Like every business, Santander operates in a world that is changing fast, creating new challenges and opportunities. Using the results of the materiality assessment, we have identified two core challenges – the challenge of the new business environment, and the challenge of inclusive and sustainable growth.

Challenge 1: New business Environment. Adapting to an Evolving World

The transformation that is happening in the world economy is unprecedented. The opening of new markets, the availability of global capital and advances in information technology and communications are changing the competitive environment of companies across the world. This new competitive framework, in a time of constant change, requires companies to assume greater responsibilities to innovate and work in new ways.

New Business Environment

Santander, like all businesses, needs a motivated, skilled workforce able to deliver what customers want, harnessing the power of new technology. Meanwhile, we face new regulations and laws. These trends create the challenge of new business environment in which we operate. Our task is to exceed our stakeholders expectations, to do the basics brilliantly, every day. Key to this is having a strong culture – a business in which all we do is Simple, Personal and Fair.

Challenge 2: Inclusive & Sustainable Growth. Helping Society Achieve its Goals

Growth should meet the needs of today's generation, without hampering future generations' ability to meet their own needs: a balance should always be struck between economic growth, social welfare and environmental protection. Financial institutions can deliver this by managing their own operations responsibly, and lending responsibly to help society achieve its goals.

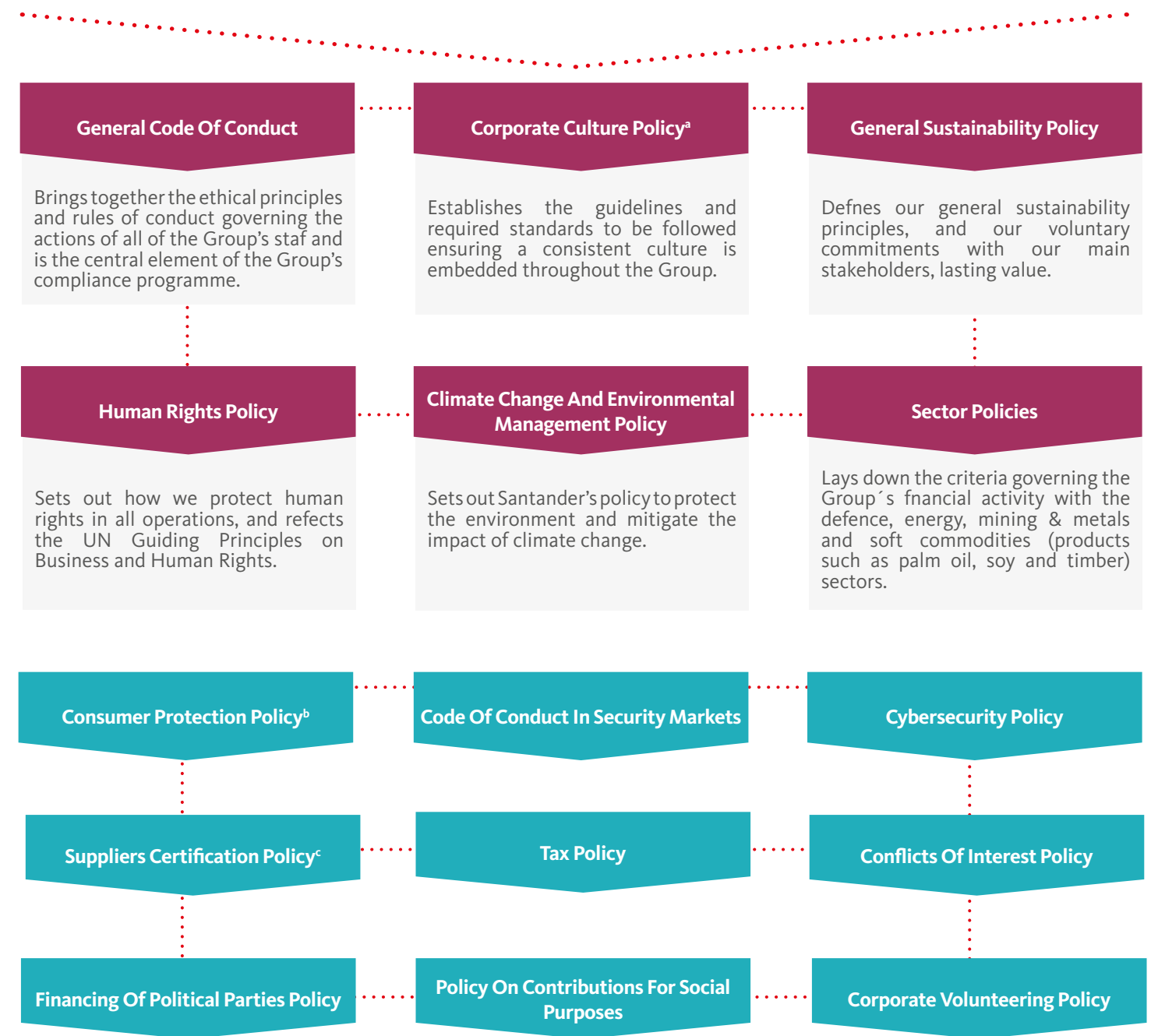
Inclusive and Sustainable Growth

We can play a major role in helping ensure growth is both inclusive and sustainable. Inclusive: by meeting all our customers' needs, helping entrepreneurs start companies and create jobs, strengthening local economies, improving financial empowerment, and supporting people get the education and training they need. Sustainable: by financing renewable energy, supporting smart infrastructure and technology to tackle climate change (such as agrotech and green tech). We do this while taking into account the social and environmental risks and opportunities in our operations, and actively contributing to a more balanced and inclusive economic and social system.

Principles and Governance

All our activity is guided by policies, principles and frameworks to ensure we behave responsibly in everything we do. We have redesigned and strengthened our responsible banking governance, both to ensure we are compliant and to help us manage initiatives which tackle the two challenges we have identified.

Policies that Support Our Responsible Banking Strategy



A. Includes employee's diversity principles.
 B. Includes financial consumer acting principles.
 C. Includes principles of responsible behaviour for suppliers.

Changes to Policies in 2018

- Update of the general sustainability policy, to reflect the current governing bodies and to improve the clarity around prohibitions and restrictions in financing certain customers and / or activities, as set out in its sectoral policies (energy, defence, mining & metals and soft commodities).
- Update of climate change and environmental management policy to reflect the current governing bodies.
- Update of the human rights policy to reflect the current governing bodies and to include: a reference to The Global Standard Conduct for Business to protect the Rights of LGBTI individuals as a relevant international declaration supported by Santander.
- Update of the suppliers certification policy to include new principles of responsible behaviour for suppliers.
- Approval of global policy on induction, knowledge and development.
- Approval of cybersecurity policy, taking into account new risks and legislation in this field.
- Approval of contribution for social purposes policy.

Risk Culture

Our risk management and compliance model is key to ensure we operate and behave in a way that reflects our values and corporate culture, and delivers our responsible banking strategy.



Strategic Overview and Coordination

Responsible Banking, Sustainability & Culture Committee (RBSCC)

Assisting the board of directors in fulfilling its oversight responsibilities with respect to the responsible banking strategy, sustainability and culture issues of the Group: corporate culture, ethics and conduct, the digital transformation, inclusive and sustainable growth.

Culture Steering

This group ensures we have the right culture, skills, governance, digital and business practices to meet stakeholders' expectations.

Inclusive & Sustainable Banking Steering

To meet the challenge of inclusive and sustainable growth, this group supports small businesses to create new jobs, improving financial empowerment, supporting finance the low carbon economy and fostering sustainable consumption.

To drive progress on the responsible banking agenda, a new unit under the Executive Chairman's Office team has been established. Santander has appointed a Senior Advisor on Responsible Business Practices, who reports directly to the executive chairman and works with the Responsible Banking Unit.

Santander Subsidiaries

Guiding principles have been developed for subsidiaries (and global business units) to ensure governance and implementation of its responsible banking agenda is embedded across the Group as a whole. Likewise, each subsidiary has appointed a senior responsible for the function.

Group Strategy Metrics & Targets

Key Initiatives Proposed and Agreed by The RBSCC in 2018:

- The new governance model for responsible banking.
- Approval of the guiding principles of governance and supervision in matters of responsible banking, sustainability and culture for the Group's subsidiaries.
- Established lines of accountability and agreed metrics.
- Update of the criteria for financing activities related to coal, both those related to its extraction (mining) and its use as an energy source (energy).
- Update of the financing policy to sensitive sectors, to incorporate new criteria and guidelines regarding the gambling sector, and the defense.
- Main priorities in 2019:
 - » Financial and social inclusion.
 - » Responsible and sustainable products offered.
 - » Social and environmental risk and opportunities.
 - » Group's corporate culture.

2018 Highlights

We have built on our success by helping more people and businesses prosper, while bringing a new focus to our efforts to be a more responsible bank.



We have received global recognitions for our efforts...

- Santander was ranked **third in the world and first in Europe** among banks in the **Dow Jones Sustainability Index**.
- **Fortune Magazine** named Santander in its **2018 Change the World list** – recognising the Group among companies who “do well by doing good”.
- Santander received **Top Employers Europe 2018 certification**, and ranked in the top 3 of the best financial institutions to work in Latin America, according to Great Place to Work.
- **Prospera microfinance program**, was chosen as an **example of good practice** by the Brazilian Network of the Global Compact to reach the SDGs in 2030.
- **Santander X**, our global community of university entrepreneurship, was chosen as an **example of good practice** by the Spanish Network of the Global Compact to reach the SDGs in 2030.



...we strived to address the challenge of the new business environment...

- The board approved a new policy to ensure a consistent culture is embedded throughout the Group.
- **New employee value proposition created**, positioning Santander as an employer of choice both internally and externally. **86% of employees feel proud to work for Santander**.
- **More than 56,000 SPF surveys were sent to customers, shareholders, investors and university students** to know their perception of Santander as Simple, Personal and Fair.
- **New corporate diversity & inclusion principles were agreed**, to consolidate our cultural transformation.
- **Awareness and understanding of cybersecurity was increased** through comprehensive communication and education activities and launch of a new, cybersecurity policy taking into account new risk and legislation.
- **New suppliers certification policy was approved**, which includes principles of responsible behaviour for suppliers.
- **New internal governance website was created**, including a single global portal for all corporate frameworks, ensuring strong governance and consistency across the Group.



...while ensuring that we promote inclusive and sustainable growth...

- Santander joined **United Nations Environment Programme Finance Initiative (UNEP FI)** to develop the principles for responsible banking to align the sector with the SDGs and the Paris Climate Agreement.
- CEOs of different international companies and UN Special Advocate launched a **Private Sector Partnership for Financial Inclusion**, with Santander representing the banking sector.
- **Santander Asset Management launched a new range of sustainable funds**, which combine financial criteria with non-financial ones.
- **Santander Corporate & Investment Banking (SCIB) consolidated its leading position in renewable energy transactions**. 6,689 MW of renewable energy financed, equivalent to the consumption of 5,7 million households.
- **4th Universia International Rectors' Meeting was held in Salamanca**. The meeting brought together 600 rectors from 26 countries, representing 10 million university students around the world, in a discussion entitled 'University, Society and Future'



...and building an even more responsible bank.

- **New board committee on responsible banking, sustainability and culture** was formed to drive and coordinate our responsible banking approach across the Group.

Main SDGs

where Santander's business activities and community investments have the most impact.



Simple | Personal | Fair





WELCOME

- ✓ About Santander Mexico
- ✓ Letter from the Chairman of the Board of Directors, Marcos Martínez Gavica
- ✓ Letter from the Executive President and CEO of Santander Mexico, Héctor Grisi
- ✓ Sustainability Model and Management in Mexico
- ✓ Our Contributions to Sustainable Development in Mexico

About Santander Mexico

(102-2)

At Santander Mexico, we drive economic activities that generate shared prosperity and sustainable development. We contribute to the progress of people and businesses through our on-going commitment to Responsible Banking, which can be seen in our business model, strategies and operations.



(102-1, 102-7)

Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, referred from now on as Santander Mexico.

The trust of our employees, customers, shareholders and society in general enabled us to achieve the following results in 2018:

18,979
employees.

9
corporate offices.

855,707
training hours.

16,690,063
customers.

1,393
branches.

8,294
ATM's.

102,330
people helped.

6
loans under Equator Principles.

1
loan for renewable energy.

1,900
shareholders from BSMXB BMV.

16,582
shareholders from BSMX NYSE.

97%
of our suppliers are national.

(102-2, 102-7)

**Total Capitalization
(Millions of Pesos)**

Total assets	1,408,724
Total liabilities	1,285,437
Shareholder's equity	123,287
Total	1,408,724

Social Investment in 2018

MXN \$209,414,591.17

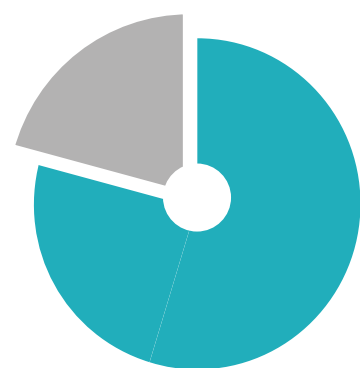
total investment.

74%

Santander Investment of which 70% is allocated for our Higher Education Support Plan (PAES for its Spanish acronym) and 30% for Social Investment.

26%

customers and employees.



(102-4, 102-6)

Our presence in Mexico helps us drive the growth of low-, high- and mid-income individuals, SMEs and middle-market and large corporations by offering them a wide range of financial products and services. Our market encompasses the sectors in credits for government institutions, the manufacturing, retail portfolio, commercial, communication and transportation, construction, tourism, agricultural, mining, and other activities and services.



Product and Services Category, Portfolio Distribution to the end of 2018.

Core Products

Retail Banking

Deposit-Taking Transactions (DT)

- Current Accounts
- Savings Accounts
- Time Deposits
- Repurchase Agreements

Lending

- Mortgage Loans
- Credit Cards
- SMEs
- Payroll Loans
- Personal Loans

Insurance

- Life
- Car
- Home
- Health
- Accident
- Fraud
- Unemployment
- Life-savings

Corporate Customers

Credit Products

- General Corporate and Working Capital Financing
- Foreign Trade Financing

Services

- Deposit-taking
- Cash Management

Letter from the Chairman of the Board of Directors, Marcos Martínez Gavica

(102-14 – 102-15)

(102-14 – 102-15)

At Santander, we understand we have a responsibility to make significant contributions to the holistic, inclusive and sustainable development that our country and its future generations need.



This is closely linked to our goal of being the best bank in Mexico, our commitment to ensure the best possible business environment, and from that position contribute to the development of our community.

Our strategy is aligned with the United Nations Sustainable Development Goals (SDG); which means that our values, our mission and our aims are consistent with our aspirations and our commitment.

To achieve our mission, we rely on strict governance models, constant communication between the Board and the management, and the continuing participation of our Directors in the sustainable and responsible banking agenda.

Our Board of Directors and its committees are governed by best corporate governance practices to create value for our customers, shareholders, employees, suppliers and society in general. We tackle new challenges with foresight, intelligence and value, ensuring we grow within an environment that we know is undergoing constant transformation, such as is the case of governance in the digital era, a key factor in consolidating the sustainability of our bank.

Thanks to the on-going efforts of management, with support from the members of the Board, to align the bank's activities with its commitment to sustainability and the community, for the sixth consecutive year Santander Mexico has been included in the BMV's Sustainability Index (IPC Sustentable), which enables us to participate in numerous investment portfolios who see our organization as an opportunity for creating value in a more conscious manner.

We are convinced that we need to continue being congruent, persistent and ambitious in order to achieve our goals and fulfil our mission. We embody our unconditional commitment to sustainability and the principles of responsible banking from the highest levels of our organization, passing this commitment down to each of our members.

We will continue focusing our efforts on ensuring that Santander remains a benchmark for its responsibility and commitment to the future.

Marcos Martínez Gavica

Chairman of the Board of Directors.

Letter from the Executive

President and CEO of Santander Mexico, Héctor Grisi

(102-14 – 102-15)

(102-14 – 102-15)

At Santander, we are fully aware of the fundamental importance of incorporating sustainability in every area, from defining our strategy to managing funds or financial operations. With this in mind, we strive on a daily basis to make banking a conscientious, ethical, green and socially-responsible business by ensuring that responsibility is the bedrock of trust.



Only through this trust, which our customers, the authorities, our shareholders and the communities in which we operate have in us, can we build a sustainable business over time, driving customer loyalty, offering best-in-class service and achieving outstanding results.

As a responsible bank, promoting the economic development and growth of both our customers and the country as a whole is essential, which is why we support financing for entrepreneurs and small companies. In 2017, we entered the microcredit market to help drive inclusive and sustainable economic stimuli to combat the lack of opportunities available to a large number of people in Mexico through "Tuiio, Finanzas de tú a tú" program, which is a microfinancing initiative aimed at informal entrepreneurs, mainly women, who are looking to make their businesses grow.

During 2018, we reaffirmed our commitment to education. All of us at Santander firmly believe that education is the best means of promoting social inclusion, in addition to offering a platform for opportunities, and, above all, providing the fundamental basis for harmonious and fair development in any society. We consolidated our two leading higher education support programs into one model: Santander Universities and Universia. Through these programs, we have provided 6,040 scholarships, in addition to increasing the range of services we offer university students thanks to an investment of MXN \$108.2 million.

We continue to actively participate in numerous social programs, including Unicef, *Bécalos*, *Fideicomiso Provivah*, *Reforestamos México* and *Casa de la Amistad*. Thanks to the support of our sustainable partners and the on-going participation of our customers, who donate to various causes using our ATM network, we helped 10,419 people.

Fideicomiso Por los Niños de México is a program that was created 24 years ago by our employees to help children living in vulnerable situations. In 2018, we worked alongside 62 organizations to help benefit 18,191 boys and girls, investing more than MXN \$9.2 million.

We are fully aware of the context in which we operate and of our commitment to safeguarding the environment for future generations. As such, we analyze the impact of our activities through an Environmental Management System, which focuses on the efficient and sustainable use of natural resources. This system monitors and controls energy, water and paper use and savings, in addition to the management and disposal of the waste and emissions generated.

The pivotal focus we have given to ensuring our operations are responsible has helped us become part of the Mexican Stock Exchange's Sustainability Index, the FTSE4Good Index, the UN Global Compact, and the Socially Responsible Company (ESR) scheme. On a global scale, we have joined the United Nations Environment Program Finance Initiative (UNEP FI), in which, alongside 27 other banks, we have worked on the Principles of Responsible Banking that will define the roles and responsibilities of the financial sector in order to guarantee a sustainable future for all.

We strive to promote inclusion and transparency, consolidate our corporate governance, and offer our teams the best possible tools and skills, in addition to best business and digital practices, as we believe this is the only way to address an ever-changing business environment. We are fully aware that only those companies that have been built on solid values and that operate congruently, responsibly and with a sustainable business vision will be able to capitalize on opportunities to proactively contribute to the development of our country.

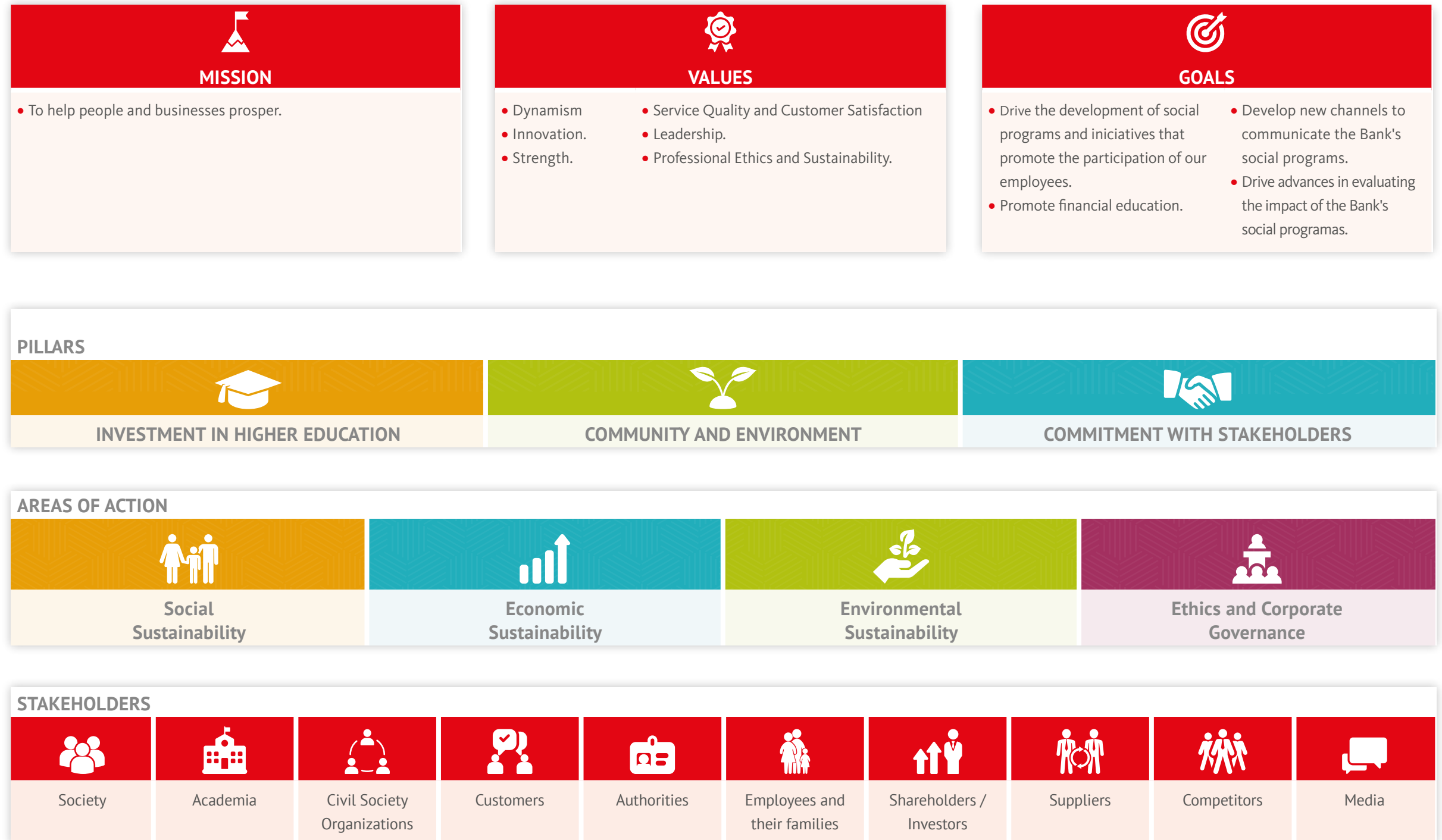
At Santander, we are committed to creating more value for society and acting as a responsible bank.

Héctor Grisi Checa
Executive President and CEO of
Santander Mexico.

Sustainability Model and Management in Mexico

Sustainability Model

We strive every day to become the partner that the people of Mexico need by promoting responsible and inclusive growth in the country. To achieve this goal, we have consolidated our Sustainability Model using clear objectives that are divided into four main areas of action.



Our Contribution to Sustainable Development in Mexico

NEW BUSINESS ENVIRONMENT

18,979 employees.

MXN \$210,715,404

invested in employee training,

43% more than in 2017.

54% of the employees are women.

Partnerships with four FinTech:

Cashless, Flint, Payit y Dapp; to help solve digital issues.

8% increase of customer satisfaction in branch offices.

+25,700

correspondent banking points.

2.891 millions of digital

customers, which amounts a **38%** increase from 2017.

16,690,063

customers.

INCLUSIVE AND SUSTAINABLE GROWTH

MXN \$31,456,877

raised for social and environmental causes at ATM's.

102,330

people helped.

123 organizations supported.

6,040 scholarships granted by Santander Universities.

47% of the energy we use comes from clean sources.

7,234 people benefitted through financial education programs.

MXN \$32,548 million

granted through **SIX** loans under Equator Principles.

33,008

microcredits provided to help promote financial inclusion.

72% of the paper we use comes from sustainable forests.

We reduced our energy

consumption equivalent to the annual energy use of **1,315** Mexican households.

Awards and Recognitions

(103-2, 103-3)

Best Private Bank in Mexico

Recognized as the Best Private Bank in Mexico by Euromoney magazine. More than 2,000 organizations from the sector took part in the voting process.

ESR Award

Presented with the Socially Responsible Company (ESR for its Spanish acronym) award for the 14th consecutive year by the Mexican Center for Philanthropy (CEMEFI) and the Alliance for Corporate Social Responsibility (AliaRSE).

BMV Sustainability Index

Our Bank was recognized as a leader in Corporate Social Responsibility by the Mexican Stock Exchange's Sustainability Index for the work it has done to support the community, education and sustainability. This award was presented during the 9th BMV Issuers Forum.

ISO 14001: 2015

The Institution became certified in this international Environmental Management Systems standard, helping our organization to identify, prioritize and manage environmental risks. Its corporate headquarters in Santa Fe has been certified since 2004, and, in 2018, its buildings in Queretaro were certified for the first time.

Most Socially Responsible Bank in Mexico

We were recognized by International Finance Magazine (IFM) for our work in promoting social responsibility, supporting higher education, engaging the community and protecting the environment.



Sustainable Forestry Management

Reforestamos México presented us with this award for our wooden reconstruction project in Ecatzingo, as well as for our regional governance construction project in the eastern district of the Valley of Mexico.

Great Place to Work

We received this certification by promoting policies and practices that improve the quality of life of our employees within the organization.

- Los Mejores Lugares para Trabajar™ in the Banking, Insurance and Finance sector.
- Los Mejores Lugares para Trabajar™ in Mexico for Millennials.





RESPONSIBLE

Banking

- ✓ United Nations (UN) Principles for Responsible Banking
- ✓ Contribution to the Sustainable Development Goals (SDG)
- ✓ Stakeholders

United Nations (UN)

Principles for Responsible Banking

(102-12)

(102-12)

“The banking sector can only fulfill its mission of increasing access to financial services and driving employment and economic growth if it treats its customers, shareholders and society in general with respect. The essence of this responsibility lies in obtaining benefit through our mission”.

Ana Botín.



We recognize the crucial role that the banking sector plays in society, and we have reaffirmed our responsibility of contributing to shared prosperity that benefits both current and future generations.

Our goal is to consolidate our position as the best financial services platform, acting in a responsible manner and earning the trust of our employees, customers, shareholders and society in general.

Given that the financial sector is a key driving force behind the development of people and businesses, we implement strategies and undertake operational and administrative actions that benefit every sector of society involved in our operations.

As leaders of the banking sector, and as part of our mission, we have joined the United Nations Environmental Program Finance Initiative's (UNEP FI) Principles of Responsible Banking, which define the role and responsibilities of the financial sector in guaranteeing a sustainable future by adapting their businesses to the UN's Sustainable Development Goals (SDG) and the Paris Agreement on climate change.

The Principles of Responsible Banking aim to bolster banking organizations that:

- Are aligned with international sustainable development initiatives;
- Analyze, manage and reduce the social and environmental impacts of their operations;
- Promote sustainable economic activities and practices with their customers;
- Collaborate with their stakeholders to ensure their operations are in keeping with their general needs and interests;
- Create effective governance systems and processes to promote a culture of Responsible Banking;
- Forge relationships with their customers, employees, shareholders and communities that are based on transparency and accountability.

(102-12)

Responsible Banking creates value for stakeholders by:

Rebuilding trust.

Involving customers, employees, shareholders and communities.

Providing a sustainable future.

Promoting sustainable economies.

Raising social and environmental awareness.

Changing consumption patterns.

As such, we have defined a new Responsible Banking Agenda that will enable us to completely align our operations with the UN's Principles of Responsible Banking.

By complying with these Principles, we are reaffirming our commitment to society to operate through efficient governance and fair and transparent relationships, in addition to positively contributing to the community and reducing the impact we have on the environment.



Challenges and Opportunities (102-12, 102-15)

Throughout our history, we have reached numerous Sustainability and Social Responsibility milestones, and, thanks to our presence in the country, we are in a privileged position to create large-scale opportunities that benefit collective prosperity.

However, technological developments and constant market changes have created new challenges that we must overcome in order to achieve this goal.

Alongside 27 other banks from around the world, Santander has joined this initiative, and it is convinced that it is possible to eradicate poverty, combat climate change, support education and gender equality, and decrease the negative impact on the environment.

Santander's new Responsible Banking Agenda will help achieve our goals and tackle the two challenges we have identified:

1. A New Business Environment

We are in a rapidly changing world thanks to the major advances being made in technology, including artificial intelligence and the digitalization of operations. In light of this situation, responsible banking guarantees the digital and business practices, culture, skills, and governance needed to meet the expectations of all our stakeholders.

2. Reach an Inclusive and Sustainable Growth

To drive business development, it is essential to take ethical, environmental, social and economic aspects into account. This is why we are focusing on the future, offering financing to small businesses that support and promote entrepreneurship, the domestic economy and the creation of new jobs.

Despite the challenges we face in terms of complying with the Responsible Banking Agenda, we have reached our economic, social and environmental goals in the country, successfully positioning ourselves as one of the leaders in Responsible Banking in Mexico and around the world.

Contribution to the Sustainable Development Goals (SDG)

(102-12)

(102-12)

The Principles of Responsible Banking are linked to the United Nations 2030 Agenda for Sustainable Development, which seeks to promote economic development, reduce poverty, drive the growth of sustainable communities, and support industry, innovation and sustainable infrastructure.



The Sustainable Development Goals (SDG) are the guiding principles behind the actions implemented by Santander Mexico. Our approach to sustainability is divided into four lines of action that govern all our activities: Economic, Social, Environmental, and Ethical and Corporate Governance.



We participate in 14 national and international initiatives to support the 2030 Agenda for Sustainable Development.

Challenge 1: New Business Environment



Challenge 2: Inclusive and Sustainable Growth



Challenge 1: New Business Environment



- **BeHealthy Program for employees.**
 - » 1,020 blood tests.
 - » 1,248 comprehensive tests.
 - » 515 health risk evaluations.



- **855,707 hours in training.**
- **819 technical, normative and management courses.**



- **54% of employees are women.**
- **Diversity and Inclusion Committee.**
- **Leadership Pillar: Female Talent.**



- **5,598 new hires.**
- **19.6% of employees are unionized.**
- **2,596 promotions of staff.**



- **2.891 million of digital customers.**
- **Partnership with four FinTech for digital solutions.**
- **13 editions of Santander Business Innovation Awards.**



- **Six years in the Mexican Stock Exchange Sustainability Index (IPC).**
- **100% of our employees received training in the General Code of Conduct and anti-corruption.**



Challenge 2: Inclusive and Sustainable Growth



- **MXN \$209,414,591 in social investment.**
- **33,008 microloans granted.**
- **102,330 people supported.**



- **27,343.42 kg of basic food supply donated in support of 3,192 people.**
- **11 nutrition projects in benefit of 2,687 minors from the Fideicomiso Por los Niños de México.**



- **24 health projects in benefit of the 10,326 minors of the Fideicomiso Por los Niños de México.**
- **679 minors benefitted through Casa de la Amistad with cancer treatments.**



- **27 education projects in benefit of 4,998 minors from the Fideicomiso Por los Niños de México.**
- **6,040 scholarships granted through Santander Universities.**
- **5,892 youngsters and professors benefitted through Bécalos and Unicef.**



- **Reduction of 11.5% of water consumption, equivalent the average consumption of 396 Mexicans in a year.**



- **Financing of solar park in Puerto Libertad.**
 - » Equivalent to the energy demand of 583,000 Mexican households.
- **47% of the Bank's energy comes from efficient cogeneration.**



- **Financing of six projects under Equator Principles:**
 - » 5 social infrastructure projects.
 - » 1 renewable energy project.



- **Environmental Management System.**
- **ISO 14001:2015 Certification.**
- **Reduction of 1.5% energy consumption versus 2017.**



- **72% of the paper consumption comes from sustainable forests.**
- **MXN \$3,647,042 are channeled to Reforestamos México for the sustainable management of forests.**

Stakeholders















(102-40, 102-42, 102-43, 103-2, 103-3)

(102-40, 102-42, 102-43)




Stakeholders




We identify and select our stakeholders based on our General Sustainability Policy, which is aligned with our Group's global strategy. Our stakeholders are: Employees, Customers, Academia, Society, Civil Society Organizations, Authorities, Shareholders and Investors, Suppliers, Competitors, and Media.















Communication and Participation:

Stakeholder	Communication Channel	Contact frequency
 Employees and their families	Complaint System	
	Santander Employee Ombudsman	
	Ethics Line	
 Customers	Branch Communication Channels, Digital Channels and Advertising, Support through Offices, Contact Center and Social Networks	
	Santander Customer Ombudsman	
 Academia	Board of Directors of Universia	
	Santander Universities Higher Education Support Plan	
 Society	Sustainability Report	
	Social networks Santander Mexico	
 Civil Society Organizations	Annual Call <i>Fideicomiso Por los Niños de México</i>	 / 
 Authorities	Presentation and Publication of Reports based on the Regulations of the Stock Exchanges on which the Santander Mexico's Shares are listed	

**Regular: Channel with a pre-established frequency*
**Constant: Uninterrupted channel of communication*

 **Regular**  **Trimestral**  **Annual**

 **Constant**  **Semestral**  **Bi-annually**

Stakeholder	Communication Channel	Contact frequency
 Shareholders / Investors	Annual Report (Financial)	
	Shareholder Report	 / 
	Shareholder Support Line 01 800 849 3177 Shareholder w-mail and website: accionistas_mx@santander.com / www.santander.com.mx/accionistas	
	Investor e-mail and website: investor@santander.com.mx / www.santander.com.mx/ir/home/	
	Financial Data Reports and Presentations	
 Suppliers	Local Procurement Committee	
	Procurement Platform (Aquanima) and Information on Website	
 Competitors	Meetings and Coordination with Financial Workers Associations in Mexico	
 Media	Phone: 5257 8124 E-mail: agduran@santander.com.mx	



CORPORATE

Governance

- ✓ Corporate Governance
- ✓ Associations
- ✓ Risk Management

Corporate

Governance



(102-1, 102-18, 102-22, 103-2, 103-3, 405-1)

(102-18, 102-22, 405-1)

As a responsible bank, the decisions we make focus on creating value for our employees, customers, shareholders and society in general. To achieve this, we have policies, procedures and a solid governance structure in place, which leverages the close bond between development, institutionality and ethics.



16.6 Develop effective, accountable and transparent institutions at all levels.

Creation of a global Responsible Banking, Sustainability & Culture Committee (RBSCC).

10% of the Board of Directors are women.



65% of Directors are independent.

100% of Directors received training in Santander's General Code of Conduct and in anti-corruption measures.



6 years on the BMV's Sustainability Index (IPC).

Corporate Governance at Santander Mexico is composed of:

Shareholders' Meeting

Board of Directors

Advisory Committees

Internal Committees

Together, this structure protects the rights of our shareholders and ensures the transparency of information of interest to the public. Furthermore, it makes strategic decisions to ensure compliance with the highest international sustainability standards.

The Board of Directors and its Committees are responsible for reviewing, authorizing and monitoring all activities governed by Santander Mexico's regulatory framework. They are also responsible for ensuring the company's resources are used responsibly and optimally.

During the sessions of the Board of Directors, the impacts, risks, opportunities and material issues regarding the organization are analyzed. The minutes of each meeting are used to follow up on the agreements reached, making it possible to design

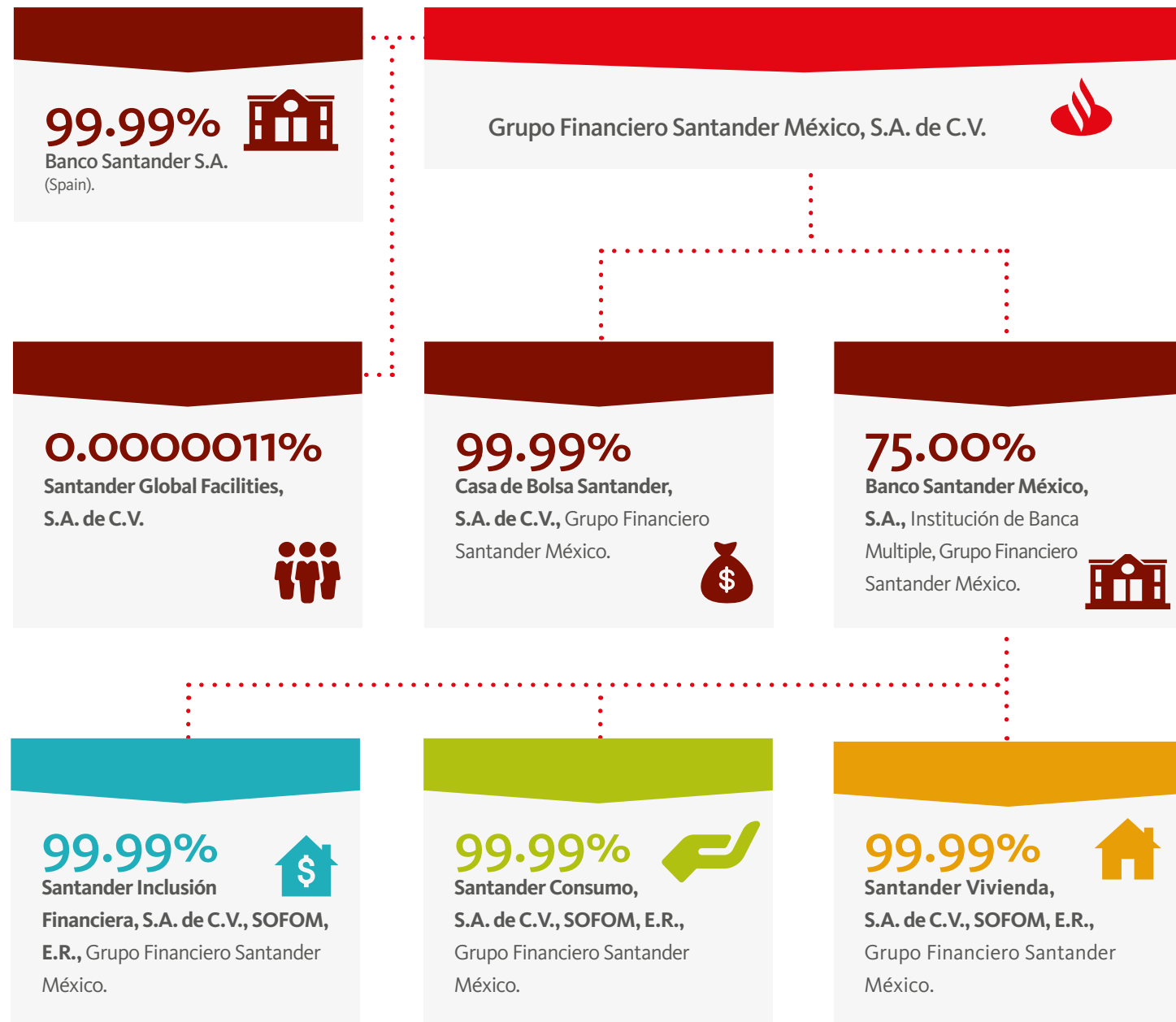
(102-10)

monitoring and assessment systems for social, environmental, economic and ethical issues that are of relevance to our sustainability and responsibility as a banking group.

Since January first 2018, we function under a new structure as a result of the merge between BANCO SANTANDER MÉXICO, S.A., INSTITUCIÓN DE BANCA MULTIPLE, GRUPO FINANCIERO SANTANDER MÉXICO, the merging entity, and GRUPO FINANCIERO SANTANDER MÉXICO, S.A.B. DE C.V., the surviving entity, as well as the constitution of the new GRUPO FINANCIERO SANTANDER MÉXICO, S.A. DE C.V.

Stock Structure of Grupo Financiero Santander México, S.A. de C.V.

(102-45)



(102-18)

To appoint a Director, the following steps must be followed:

Their nomination is presented by the local Nominations Committee, which is then validated by the Nominations Committee in Spain.

The nomination is voted on and passed by the Special Shareholders Meeting.

The Board of Directors identifies and monitors the correct management of the risks and opportunities we face as a global organization. This Board does not directly consult its stakeholders, but it does recognize, manage and evaluate a range of issues relating to them.

The tenure of the Directors is not determined by time, but rather it is based on a performance evaluation undertaken by the Shareholders Meeting. The Board of Directors is responsible for assigning members to its Committees.



Board of Directors

(102-18, 102-22)

The members of the Board of Directors and its respective Committees are nominated and ratified on a yearly basis by the General Shareholders Meeting by means of a strictly regulated process that substantiates their honorability, technical capacity, knowledge and financial experience. The know-how of the General Shareholders Meeting helps ensure the right decisions regarding economic, ethical, fiscal and social aspects are taken.

During 2018 the Board of Directors met five times: January 25th, April 26th, July 26th, September 27th and October 22th.

(102-18, 102-22, 405-1)

(102-18, 102-22, 405-1)

The Board of Directors is comprised as follows: *

Name	Age	Executive or Non- Executive	Independence	Years on the Board	Committee Members ¹
Marcos Alejandro Martínez Gavica	64 years	Non Executive F Series	Non Independent Proprietary	21 years	Board of Directors, CAIR, CR
Héctor Blas Grisi Checa	52 years	Executive F Series	Non Independent Proprietary	3 years	Board of Directors, CAIR, CR
Rodrigo Echenique Gordillo	72 years	Executive F Series	Non Independent Proprietary	3 years	Board of Directors
Francisco Javier García-Carrazza Benjumea	47 years	Executive F Series	Non Independent Proprietary	8 months	Board of Directors
Rodrigo Brand de Lara	46 years	Executive F Series	Suplente No Independiente	10 months ²	Board of Directors
Ángel Rivera Congosto	52 years	Executive F Series	Suplente No Independiente	3 years	Board of Directors
Didier Mena Campos	48 years	Executive F Series	Suplente No Independiente	5 months	Board of Directors, CAIR
Gina Lorenza Diez Barroso Azcárraga	63 years	Non Executive F Series	Independent Alternate	4 years	Board of Directors
Guillermo Güemez García	77 years	Non Executive F Series	Independent Proprietary	6 years	Board of Directors, CAIR
Guillermo Jorge Quiroz Abed	65 years	Non Executive F Series	Independent Proprietary	8 months	Board of Directors, CA, CAIR
Juan Gallardo Thurlow	71 years	Non Executive F Series	Independent Alternate	5 years	Board of Directors
Eduardo Carredano Fernández	67 years	Non Executive F Series	Independent Alternate	21 years	Board of Directors, CA, CPSNC, CR
Antonio Purón Mier y Terán	66 years	Non Executive B Series	Independent Proprietary	9 years	Board of Directors, CA, CPSNC, CR
Fernando Benjamín Ruíz Sahagún	75 years	Non Executive B Series	Independent Proprietary	15 years	Board of Directors, CA, CPSNC, CR
Alberto Torrado Martínez	55 years	Non Executive B Series	Independent Proprietary	9 years	Board of Directors, CAIR

¹ The acronyms in Spanish are: Audit Committee (CA); Remuneration Committee (CR); Comprehensive Risk Management Committee (CAIR); Corporate Practices, Nomination and assessments Remuneration Committee (CPSNC).

² Was a member of the Board of Santander Mexico and in April 2018 joined the Board of Banco Santander Mexico.

Name	Age	Executive or Non- Executive	Independence	Years on the Board	Committee Members ¹
Joaquín Vargas Guajardo	64 years	Non Executive F Series	Independent Proprietary	9 years	Board of Directors, CAIR
Jesús Federico Reyes Heróles González Garza	66 years	Non Executive F Series	Independent Alternate	9 years	Board of Directors, CPSNC
Rogelio Zambrano Lozano	62 years	Non Executive F Series	Independent Alternate	1 month	Board of Directors
Guillermo Francisco Vogel Hinojosa	68 years	Non Executive B Series	Independent Alternate	2 years	Board of Directors
María de Lourdes Melgar Palacios	56 years	Non Executive B Series	Independent Alternate	5 months	Board of Directors

*The Board of Directors is composed by two women and 18 men.

Committee members who are not members of the Board:

Name	Executive or Non- Executive	Independence	Committee Members ³
Ricardo Alonso Fernández	Executive	Non Independent	CAIR
Fernando Borja Mujica	Executive	Non Independent	CAIR
Juan Ramón Jiménez Lorenzo	Executive	Non Independent	CAIR
Juan Ignacio Echeverría Fernández	Executive	Non Independent	CR
Emilio de Eusebio Saiz	Executive	Non Independent	CR

³ The acronyms in Spanish are: Audit Committee (CA); Remuneration Committee (CR); Comprehensive Risk Management Committee (CAIR); Corporate Practices, Nomination and assessments Remuneration Committee (CPSNC).



100%
of the Directors completed self-assessments.

To know the profiles of our Directors, click here.

For further information about our Directors and about Corporate Governance, please review the Santander 2018 Annual Report.

(102-18, 102-22)

Committees of the Board of Directors

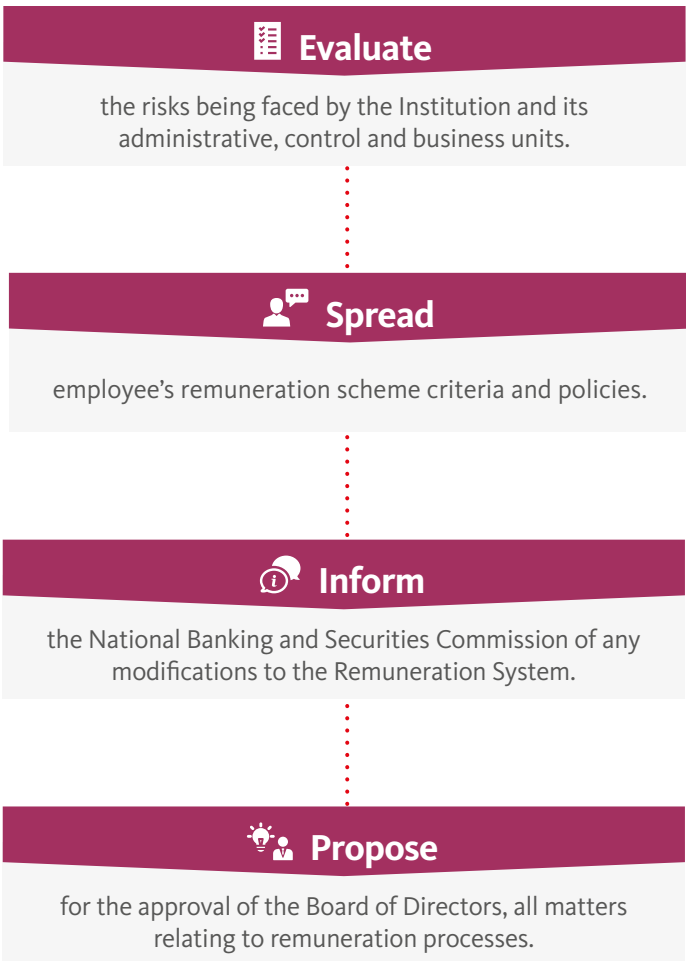
As part of its efforts to promote a responsible, transparent and accountable banking sector, the Board appointed four Committees to oversee the Bank's activities, ensuring that its actions are carried out responsibly.

Every year, four sessions are held, in addition to an extended session to cover a range of business strategies.

The Committees' roles are outlined below, and they have a direct impact on the Santander Mexico's economic, social, ethical and legal affairs:

REMUNERATION COMMITTEE (CR).
 In 2018, the Remuneration Committee met on one occasion: July 19th.

Functions

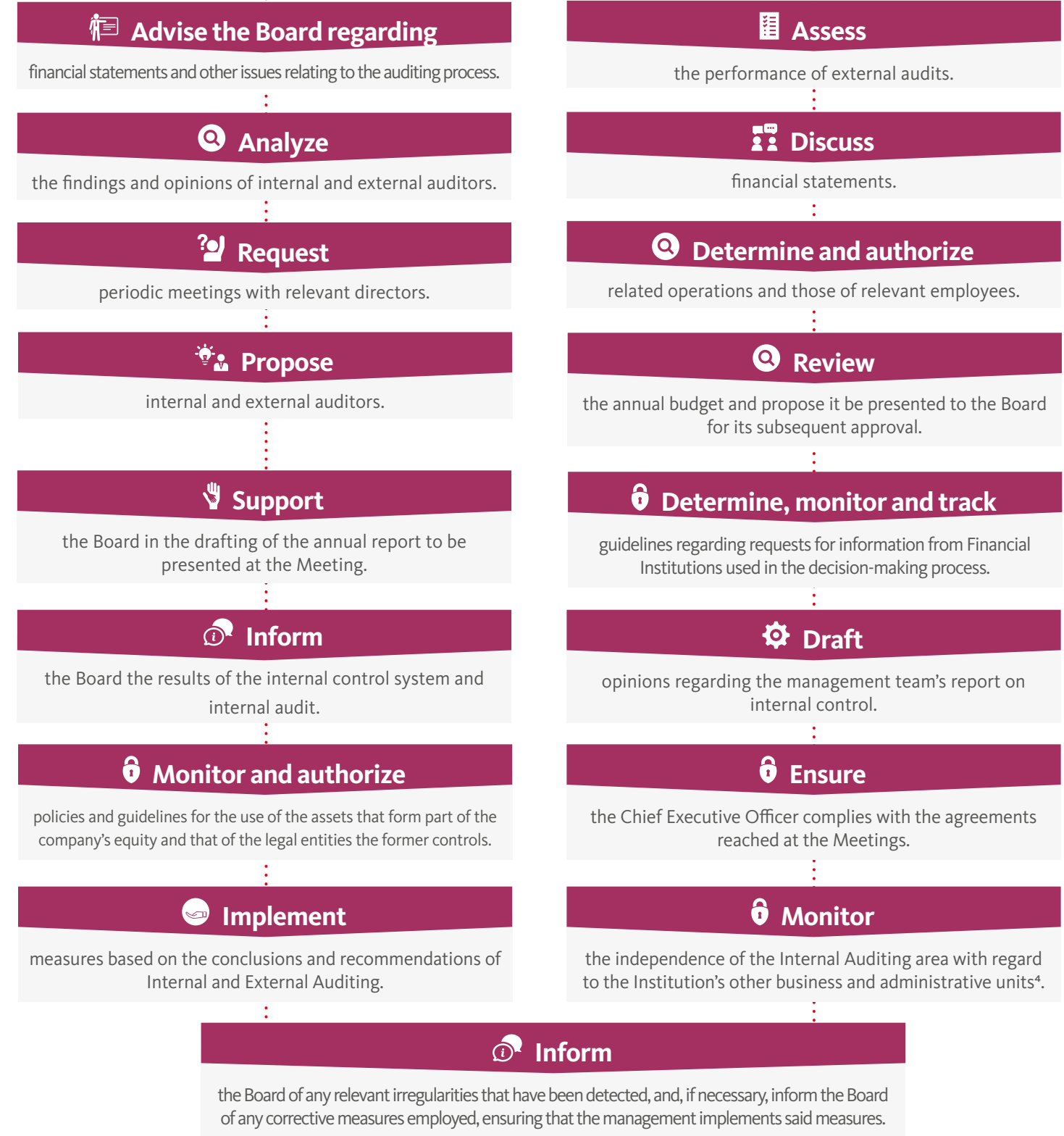


(102-18, 102-22)

AUDIT COMMITTEE (CA).

In 2018, the Audit Committee met on seven occasions: January 22th, March 23th, April 23th, June 18, July 23th, September 3rd and October 15th.

Functions



⁴In case of lack of independence, the Board should be informed.

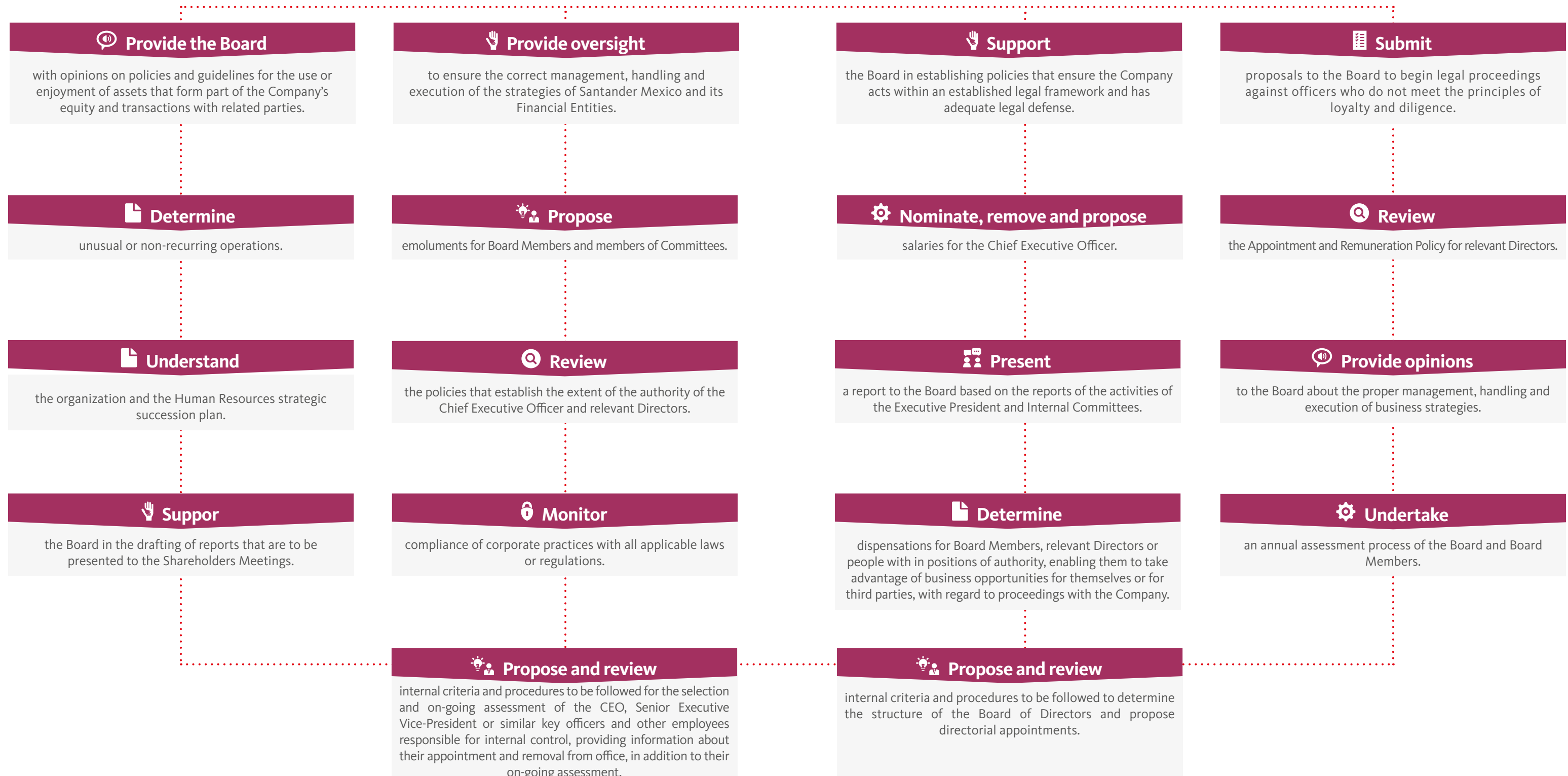
(102-18, 102-22)

(102-18, 102-22)

CORPORATE PRACTICES, NOMINATION AND REMUNERATION COMMITTEE (CPSNC).

In 2018, the Corporate Practices, Nomination and Remuneration Committee met on five occasions: January 18th, April 19th, July 19th, September 20th and October 18th.

Functions



COMPREHENSIVE RISK MANAGEMENT COMMITTEE (CAIR).

In 2018, the Comprehensive Risk Management Committee met on 12 occasions, once a month.

Functions

Propose, for the approval of the Board of Directors:

- Comprehensive Risk Management's objectives, guidelines and policies, in addition to any eventual modifications to them.
- Global Risk Exposure Limits and Specific Risk Exposure Limits, taking the following into consideration:
 - » 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.
 - » Mechanisms for the implementation of corrective measures (once a year).
 - » Special circumstances or cases under which Global Risk Exposure Limits and Specific Risk Exposure Limits can be exceeded.

Ensure

all staff involved in risk taking are aware of:

- Desired Risk Profiles.
- Risk Exposure Limits.
- Risk Tolerance Levels.

Approve

- 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).
- 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).
- 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 the Comprehensive Risk Management Unit - UAIR (once a year).
- Methodologies to identify, assess, measure and control the risks of new operations, products and services to be offered to the market.
- Corrective measures proposed by UAIR in terms of that stipulated in Article 69.
- 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).
- Technical Comprehensive Risk Management assessment (Article 77) for its subsequent presentation to the Board and the Commission.
- Technical Evaluation Report (Article 77).

Appoint (remove)

with the ratification of the Board of Directors, the chair of UAIR.

Request

the Board adjust or authorize, under exceptional circumstances, the Global Risk Exposure Limits.

Inform the Board⁷

- 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).

Inform the Board⁸

- The Business Continuity Plan.
- Effectiveness Testing of the Business Continuity Plan.
- Methodologies for estimations of quantitative and qualitative impacts of operational contingencies, referenced in (Article 74 fracc. 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.

⁵ UAIR (Comprehensive Risk Management Unit).

⁶ AIR (Comprehensive Risk Management).

⁷ Inform the Board, at least once quarterly.

⁸ Inform the Board, at least once a year.



(102-18)

The Committees responsible for making decisions regarding economic, environmental and social issues are: the Board of Directors, the Audit Committee, and the Corporate Practices, Nomination and Remuneration Committee.

The Board's Committees (Advisory Committees) identify, analyze and monitor issues and decisions that are relevant to Santander Mexico, and they are supported by the internal committees, which assist in the operational and decision-making processes of the Advisory Committees.

Santander Legal Pro Bono

Banco Santander is fully aware of the vulnerability of low-income individuals and legal entities around the world, which is why, in 2018, it created Pro Bono Committees in each of the countries in which it operates.

The Mexican Committee, Santander Legal Pro Bono, aims to create a network of attorneys representing legal firms and notaries public to offer free legal advice to those individuals who want to start new social businesses or to associations who want to contribute to society but who do not have the means necessary to receive legal advice and ensure compliance with applicable legal frameworks.



Santander Legal Pro Bono Actions:

Support

for the Diploma in Social Management and Administration for Civil Society Organizations: Fiscal-Legal Obligations and Finances for the Operation, Administration, Management or Support of a Civil Society Organization, offered by Fundación Merced.

Working meetings

with the Mexican Pro Bono Center to create a partnership to offer free legal advice to Civil Society Organizations and individuals.

Courses

on the different types of civil associations that exist, and tax-exempt status requirements as part of the legal framework in Mexico.



Associations

(102-12, 102-13)

(102-12)

We are convinced that only by working as part of a team can we achieve our goals. This is why we promote a sustainable agenda that focuses on the importance of ethics, transparency and inclusive growth, aligning our operations with numerous national and international initiatives and working alongside other organizations.



We have forged partnerships that promote sustainability with organizations linked to the financial sector, including:

- Mexican Association of Securities Intermediaries (AMIB).
- Association of Mexican Banks (ABM).
- Committee of Mexican Stock Exchange Issuers.

In 2018, we continued to align our operations with the ABM's Sustainability Protocol to reaffirm the commitment of the banking sector to promoting sustainable social development in the country through five main areas:

Core Strategy

Institutionalization of internal sustainability policies.

Management of environmental and social risks associated with investment or credit processes.

Sustainable investment

Efficient use of resources in internal processes.

Monitoring and publication of the industry's sustainability policies and practices.

In addition, we participate actively and take part of the main initiatives and international working groups.

International Initiatives

United National Global Compact

An international initiative that endorses 10 universally-accepted Principles to promote Corporate Social Responsibility (CSR).

Banking Environment Initiative (BEI)

A program from Cambridge University that helps entire sectors develop strategies that combine profitability with sustainability.

World Business Council for Sustainable Development (WBCSD)

A global association that focuses on the private sector and sustainable development to ensure the maximum positive impact on stakeholders, the environment and societies.

UNEP Finance Initiative

A partnership between the United Nations and the global finance sector. Its mission is to achieve systemic change in the finance sector to promote a sustainable world.

(102-12, 102-13)

(102-12, 102-13)

The Wolfsberg Group

An association that focuses on developing risk management guidelines and frameworks for financial crimes.

Equator Principles

A risk management framework adopted by financial institutions to determine, assess and manage environmental and social risks linked to the projects they finance.

Working Group on Sustainable Livestock

A group whose goal is to debate and develop common practices, patterns and principles to be adopted by the sector that contribute to the development of sustainable livestock.

Principles for Responsible Investment (PRI)

A series of principles that focus on the implications of investments in terms of Environmental, Social and Governance (ESG) criteria, in addition to supporting an international network of investors to incorporate these criteria into their investment and property decisions.

Round Table on Responsible Soy

A civil organization that promotes the responsible production, processing and marketing of soy around the world.

Carbon Disclosure Project (CDP)

An organization that works with shareholders and companies to raise awareness of the greenhouse gas emissions of large corporations vis-à-vis financial decisions.

CEO Partnership for Financial Inclusion

A group of Chief Executive Officers CEO's from major companies who aim to promote financial inclusion around the world.



Index

FTSE4Good Index

Dow Jones Sustainability Index (global)

Mexican Stock Exchange Sustainability Index (IPC)

Committee of Mexican Stock Exchange (BMV) Issuers

Santander Mexico is a member of the Committee of Mexican Stock Exchange (BMV) Issuers, in which we participate actively as part of our commitment to our shareholders and investors. 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 facilitate the participation of issuers in all activities in regulatory, promotional, development and distribution areas and consolidate the market.

During 2018, some of the most relevant issues tackled during the Committee's sessions included:

- **Anti-Corruption Law:** a talk about global anti-corruption trends, the regulatory situation in Mexico, constitutional reforms that affect the sector, and changes to secondary legislation.
- **New Code of Corporate Governance Principles and Best Practices:** it was presented, and the antecedents of the Corporate Governance Principles issued by the Best Corporate Practices Committee of the Business Coordinating Council (CCE) were reviewed.
- **Results from the Maturity Matrix for the Sustainability Guide:** the comparative samples from FY 2016 and 2017 were presented, maturity levels were reviewed, and optimal scenarios and predominant ranges of the sample of issuers were analyzed for each of the maturity levels.

We are one
of the **27 Banks** that took part in the
drafting of these principles, which will soon be
signed by other financial institutions.

 **In 2018**
we became part of the
FTSE4Good Index for the first
time as Santander Mexico.

Risk

Management

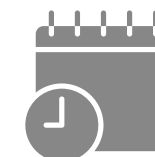


(102-11, 103-2, 103-3)

Identifying, analyzing and assessing risks is of fundamental importance in guaranteeing the security and functionality of our day-to-day operations, which is why we have a Risk Management Model and culture that we promote among our different groups of stakeholders to help ensure compliance.



16.5 Substantially reduce corruption and bribery in all its forms.



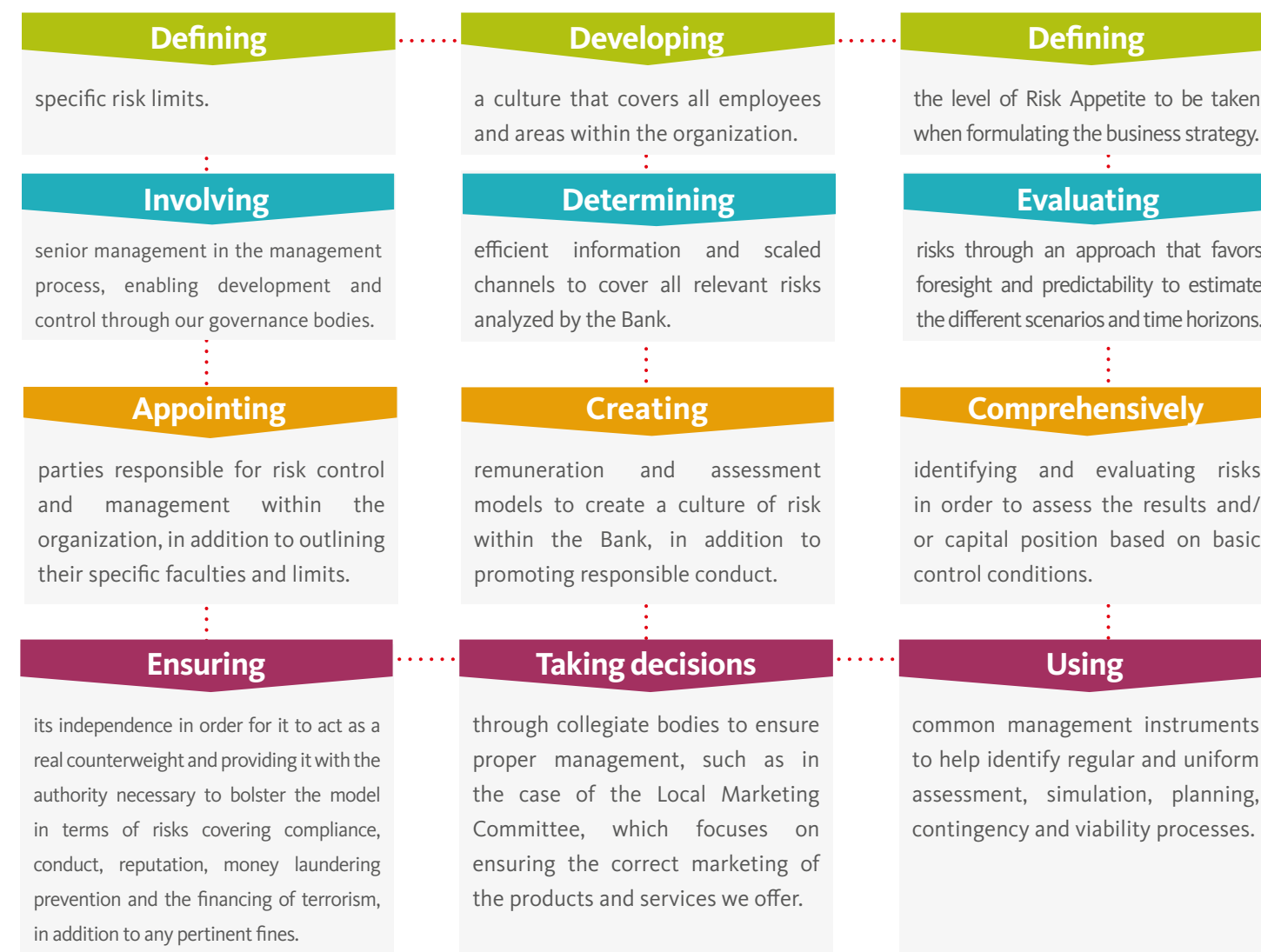
16,017 horas

hours of training in Santander's General Code of Conduct (CGC for its Spanish acronym).

Risk Management Model

(102-11)

To ensure an efficient risk management framework, it is necessary to create institutional mechanisms that guarantee the Bank behaves responsibly, in addition to preventing operations that put its sustainability at risk. As such, we have designed an institutional framework that is based on the following principles:



(102-11)

The Risk Management Model is coordinated by the Comprehensive Risk Management Committee, which falls under the auspices of the Board of Directors. The model has been designed to encompass three lines of defense:



The goal of Santander's Risk Governance is to implement this model to ensure a mid-low, predictable risk profile.

There are different types of risk based on the activities of the Bank: credit, market, liquidity and financing, compliance, reputation, operations, and environmental risks⁹.

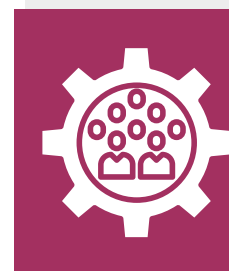
⁹ Our products and services do not present potential risks to the environment.

(102-11)

For further information about risk control, management and administration, please go here.

Social Contribution

In addition to the important work carried out by the Risks area on a daily basis, in 2018 employees reaffirmed their social commitment by taking part in volunteering programs with non-profits, during which they organized an auction, fundraisers, in-kind donations and recreational activities for children living in vulnerable situations.



- 7 institutions supported.
- MXN \$106,270 raised in the Risk Pro Charity Auction.
- 309 people supported.
- 100 volunteers.

Business Ethics

(102-16, 102-17, 103-2, 103-3)

As an organization, one of our major goals is to forge trust-based relationships with our stakeholders, and ethics is the most important element in building trust.

Our Mission

To help people and businesses prosper.

Our Vision

To be the best open financial services **platform**, by acting **responsibly** and earning the lasting **loyalty** of our people, customers, shareholders and communities.

Values

- Dynamism
- Innovation
- Strength
- Service Quality and Customer Satisfaction
- Leadership
- Professional Ethics and Sustainability



We also have a School of Risk in Mexico, which is a pillar for strategic risk design within our organization. It coordinates efforts by all areas to drive common actions and design strategies and plans of action.

Another of its functions is to transmit and publish information regarding the culture of risk, helping drive ownership among Santander employees. To achieve this, it has 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.

It is also important to mention that Santander employees undergo an assessment process to help identify areas of opportunity and consolidate the culture of risk.

8 Behaviours

General Code of Conduct (102-16, 102-17)

Santander Mexico's principles, values and ethical standards, as well as its policies and manuals, are governed by the General Code of Conduct, our maximum legal framework.

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.

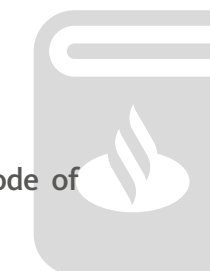
To continue promoting an organizational culture that embodies ethical and responsible actions, we provide our employees with General Code of Conduct and anti-corruption training to ensure compliance and provide comprehensive development opportunities.

General Code of Conduct and anti-corruption Training

	Men	Women	Total hours
Directors	537	174	711
Deputy Directors	803	547	1,350
Managers	2,427	2,199	4,626
Administrative and Operational Staff	3,751	5,579	9,330
Total	7,518	8,499	16,017

General Code of Conduct Training.

16,017
hours of training in General Code of
Conduct.



Ethics Line

We offer our employees access to our Ethics Line, which receives ethics-based reports that affect Santander's operations.

It offers employees a means of anonymously and confidentially reporting any misconduct or irregularities through easy-to-use channels. It also provides a means of supplementing reports, such as by sending evidence and checking the status of the report.

It is a secure system that promotes ethical behavior while ensuring no social or professional repercussions for those filing reports. It can be used by employees, ex-employees and suppliers.

Ethics Line is coordinated by an external supplier (EthicsGlobal), which has designed an application, online chat platform, e-mail, website and telephone number to receive reports. In 2018, we received 768 reports.

Corruption Prevention

Promoting fair, inclusive and sustainable social development is only possible by creating strategies and actions to combat internal corruption and promoting maximum transparency and accountability.

Culture of Ethics

We ensure that we not only meet our legal and regulatory obligations, but we also take responsibility for what we do. Our culture of ethics is a key element in our sustainable growth as it has enabled us to forge close working relationships with our employees that are based on respect and commitment.

To help create a framework for the culture of ethics within the organization, it is crucial to have specific training and communication processes for employees of Santander Mexico. This is why the Bank offers its employees access to a range of models and courses that help them to embody the culture of a Simple, Personal and Fair Bank.

(102-17, 205-2)

We have fostered a culture of ethics that has enabled us to design policies and strategies to prevent acts of corruption in the relationships we have within the public and private sectors.

We strongly condemn any actions linked to embezzlement, bribery, illegal demands for payment, influence peddling or any other form of corruption. The Bank's Corruption Prevention Policy regulates all issues regarding anti-corruption measures, in addition to the operations of the Audit and Compliance area and other relevant Committees.

The Corruption Prevention Policy regulates:

The classification of corruption.

The guidelines for gifts received by Santander employees.

The functions of the Audit and Compliance area and other sustainable control mechanisms.

Appropriate engagement with public and private institutions.

The reporting channel.

The Corruption Prevention Committee (which is only convened when cases that are not contemplated in the policy arise).

The following people have been informed of our organization's policies and procedures to combat corruption:



20 members of the Board of Directors.

100% members of the Board of Directors.



16,310 internal employees*.

86% internal employees.

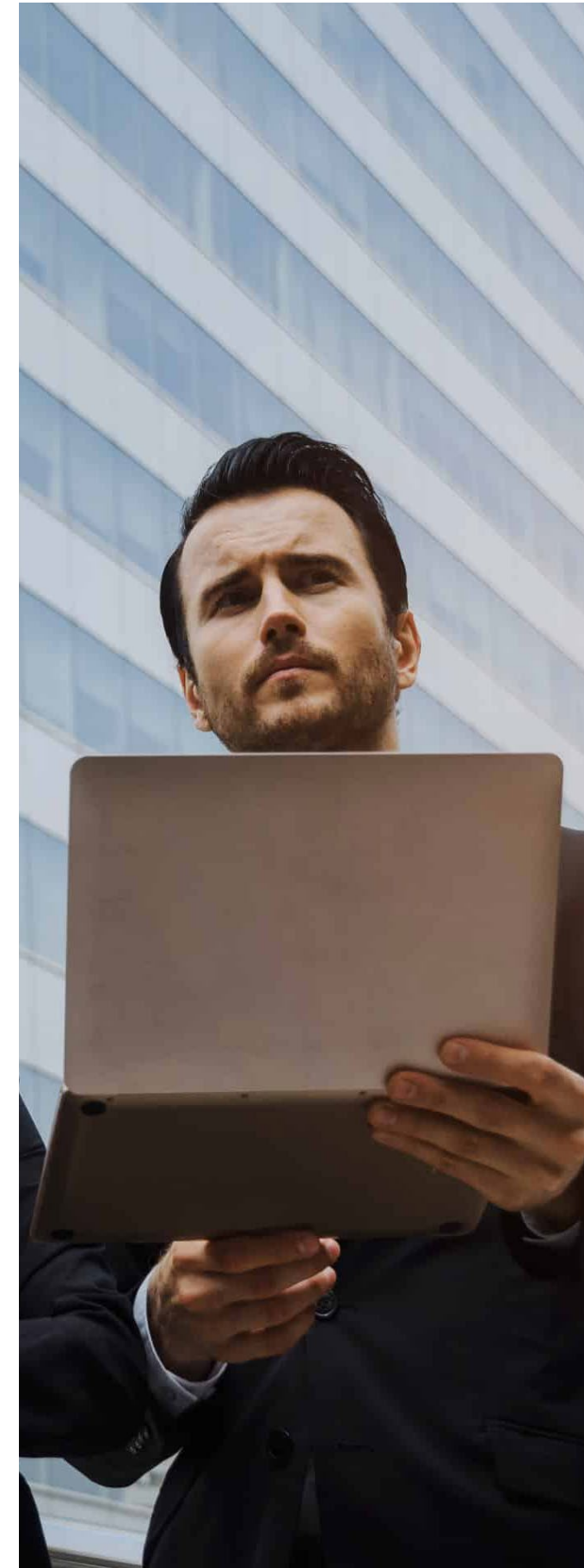
Money Laundering Prevention

We have sophisticated procedures in place to eradicate any activities that try to hide the origins of their funding.

We focus our efforts on preventing money laundering and eradicating the financing of terrorism, which is why we designed a system for the Prevention of Money Laundering and Terrorism Financing (PMLTF), which is based on the General Policy and Procedures Manual that stipulates the policies, guidelines, regulations, flows and controls in PMLTF, ensuring compliance with local and corporate regulations.

To ensure compliance with any obligations stemming from modifications to current domestic and international legislation, the manual is reviewed on an on-going basis. Furthermore, there is a risk and control certification program, which is implemented twice a year.

*Due to an update in the Normative Course Policy that allows the extension of the period to take the anti-corruption course, 16,310 took it during 2018, while the rest took it in the first quarter of 2019. With this, we achieved 99% of the trained collaborators, that is, 18,859 collaborators in total.



The PMLTF 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.

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.

(102-17)

(102-17)

(102-17)

This PMLTF system is underpinned by an internal framework, as outlined below:

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 Bank's Business and Control areas.

2

The Money-Laundering Prevention Unit (UPLD)

which is composed of six departments: Monitoring, Monitoring of High-Risk Customers, Analysis, Risk Management, Strategy, and Engagement and Implementation of the Corporate Norkom System.

3

The Compliance Officer

responsible for implementing the PMLTF system and certified by the regulatory body.

53,928

hours of money laundering prevention training programs.



	Men	Women	Total Hours	
Money Laundering Prevention training Hours	Directors	3,393	1,029	4,421
	Deputy Directors	3,016	2,148	5,164
	Managers	7,683	7,057	14,740
	Administrative and Operational Staff	12,161	17,442	29,603
	Total	26,253	27,676	53,928

We also provide our employees and directors with training regarding current money laundering prevention policies:



20

members of the Board of Directors.

100%

members of the Board of Directors.



5,959

external employees.¹⁰

100%

external employees.



20,920

internal employees.¹⁰

100%

internal employees.

Conflicts of Interest

The procedures outlined in the General Code of Conduct 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. We also ensure 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.

It stipulates that, if a case of conflict of interest arises, the Compliance area will receive the report and then identify, analyze and register the facts before presenting its conclusions to the Compliance Committee.

¹⁰ The difference in the number of employees is due to the collectives included in the Comptroller's count for training in money laundering prevention.



NEW BUSINESS

Environment

- ✓ Santander Employees
- ✓ Responsible Practices
- ✓ Digital Transformation

 **18,979**
employees.

169
Linkers of whom


855,707
hours of training.

43% were
hired.

 **295,310**
customer satisfaction surveys.

We're working **8% increase**
on digital solutions with **four FinTech** in customer satisfaction.
companies.

51%
of workforce promotions
were female employees.

 **+**
25,700
correspondent banking points.

 **2.891 million**
digital customers.

At Santander, we strive every single day to offer our employees the best development opportunities as they embody our commitment to ensuring our operations have a positive impact on society, the economy and the environment.

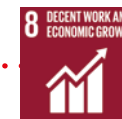
With our customers, we guarantee that we have the corporate culture, capacity, and digital and business practices that will satisfy their needs and exceed expectations.

Santander

Employees



We acknowledge the hard work and commitment that our employees demonstrate on a daily basis; without them it would be impossible to operate as a responsible bank and all that entails. Going above and beyond is our way of recognizing our employees.



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.

Employment

(102-8, 102-41, 401-1, 405-1, 103-2, 103-3)

As a result of Santander's commitment to Mexico, we have focused on offering our employees dignified employment and growth opportunities, meeting the skills and competencies required by new generations, in addition to the technological advances and needs of the sector.

In 2018, we had a total of 18,979 employees, in addition to 3,406 outsourced staff. Around 19.6% of our employees are unionized.

The career plan we offer our employees means that we have a committed team that is proud to belong to this institution. During 2018, there were 2,596 promotions, 1,330 for female employees and 1,266 for male employees, clearly demonstrating our employees' desire for self-improvement.

24%

of management positions are held by women.



Women

10,179

female employees.



2,328
unionized.

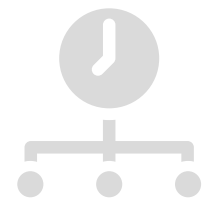
7,851
non unionized.

1,907
outsourcing.

2,906
new hires.

36.9

average training hours.



(102-8, 405-1)

(102-8, 401-1, 405-1)

Under 30



1

Director.



118

Deputy Directors.



857

Managers.



4,029

Administrative and
Operational Staff.

Between 30 and 50



178

Directors.



517

Deputy Directors.



1,740

Managers.



2,304

Administrative and
Operational Staff.

Over 50



33

Directors.



48

Deputy Directors.



147

Managers.



207

Administrative and
Operational Staff.

TOTAL



212

Directors.



683

Deputy Directors.



2,744

Managers.



6,540

Administrative and
Operational Staff.

Type of Contract

Total

Fixed

Temporary

8,995

1,184

10,179

New Hires¹¹

Age Range

Women

Under 30

2,182

Between 31 and 40

537

Between 41-50

163

Over 51

24

Total:

2,906

¹¹ New hires refers to new employees.

Turnover Rate: 18.12%

In 2018, there were 2,269 dismissals of female employees, 1,425 of whom were aged under 30, 611 were aged between 31 and 40, 170 were aged between 41 and 50, and 63 were aged over 51.

General Turnover Rate¹²

Age Range

Percentage

Under 30

24.89%

Between 31-40

16.65%

Between 41-50

10.52%

Over 51

7.98%

Total:

19.12%

¹² The methodology used can be found as a Direct Response on page 184 of the GRI Index.

(102-8, 405-1)

(102-8, 401-1, 405-1)

Men

8,800

male employees.



1,384

unionized.

7,416

non unionized.

1,499

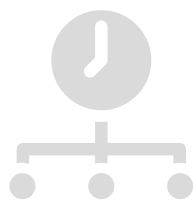
outsourcing.

2,692

new hires.

40.3

average training hours.



Under 30



9

Directors.



161

Deputy Directors.



952

Managers.



2,804

Administrative and Operational Staff.

Between 30 and 50



461

Directors.



682

Deputy Directors.



1,832

Managers.



1,140

Administrative and Operational Staff.



Over 50



201

Directors.



161

Deputy Directors.



197

Managers.



200

Administrative and Operational Staff.

TOTAL



671

Directors.



1,004

Deputy Directors.



2,981

Managers.



4,144

Administrative and Operational Staff.

Turnover Rate: 20.28%

Type of Contract		Total
Fixed	Temporary	
7,741	1,059	8,800

New Hires ¹³	
Age Range	Women
under 30	1,846
Between 31-40	573
Between 41-50	214
Over 51	59
Total:	2,692

¹³ New hires refers to new employees.

In 2018, there were 2,175 dismissals¹⁴ of male employees, 1,015 of whom were aged under 30, 491 were aged between 31 and 40, 158 were aged between 41 and 50, and 65 were aged over 51.

Employee Training

(404-1, 103-2, 103-3)

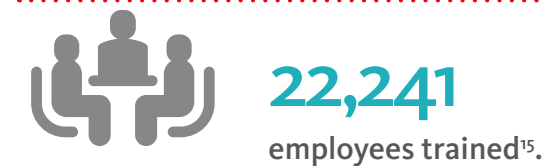
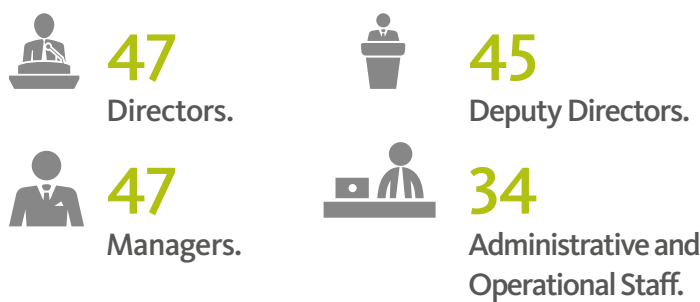
We promote the development of competencies and skills by our employees through continuous and global training. In 2018, we offered 819 courses focusing on technical, compliance and management topics.

Average Training Hours

Women



Men

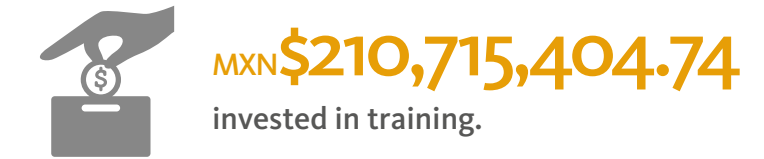


¹⁴ The methodology used can be found as a Direct Response on page 184 of the GRI Index.

¹⁵ The difference between trained employees and total employees reported to year end 2018 is the result of employee movement during the year.



- 387,535 technical training hours, focusing on command of a tool and/or process in order to optimize our employees' daily functions.
- 369,735 compliance training hours, encompassing courses and certifications endorsed by an authority.
- 98,437 management training hours, focusing on developing management skills to promote teamwork, achieve goals and meet human needs.



Training Hours by Format and Position	Face to Face	Virtual Classes	E-learning	Total Hours
Directors	24,018	1,292	21,852	47,162
Deputy Directors	40,663	2,245	45,466	88,374
Managers	159,963	7,865	147,513	315,341
Administrative and Operational Staff	234,018	3,647	167,165	404,829
Total	458,662	15,049	381,996	855,707

In addition to offering our employees the tools they need for day-to-day operations, we promote their participation in courses to help consolidate their leadership and negotiation skills. In 2018, we offered the following programs:

Program	Goal	Employees	Hours of Training
Personal Leadership Skills	This program offers female directors the tools they require to break cultural paradigms and meet the goals of the Bank.	13	208
Negotiation	This program provides information about how to improve the negotiation process during the planning, implementation and evaluation stages.	15	240
Open Channel	This program demonstrates a new way to promote workplace relationships and prevent problems in day-to-day activities.	41	820
Project Management	This course allows employees to learn about all the stages of a project and put their negotiation skills into practice.	6	240



Academia MX is a new form of personalized training with an employee-growth and professionalization focus through innovative techniques and the development of our Santander community. We seek that employees use mobile devices and technology to follow their own path, interacting with different virtual spaces that gives them the freedom to choose when and where they can take their courses.

We have great course offering through internationally-renowned platforms such as TED, KhanAcademy, Coursera, edX, miriada and the Universitat Oberta de Catalunya. Additionally, we offer Santander-exclusive content, such as: "How to learn in Academia", "Leadership", "Culture and Risk Footprint", "Market and Microeconomics", and "Diversity and Inclusion".

40+
sprints organized.



9,000
employees in Academia by December 2018.



11,000
badges awarded.



Talent Development and Retention

We value talent within our organization and see it as a vital element in achieving sustainability, which is why we help drive the development of high-potential employees. To achieve this, we have a range of evaluation and monitoring tools, as well as professional development programs, such as Goal-Based Performance evaluations (DPO for its Spanish acronym) and the 360° Evaluation, which are undertaken in 3 stages: Goal Setting, Semi-annual Review, and Final Review.

DPO Evaluation

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

3,683 employees were evaluated using this model in 2018.

Women



Men

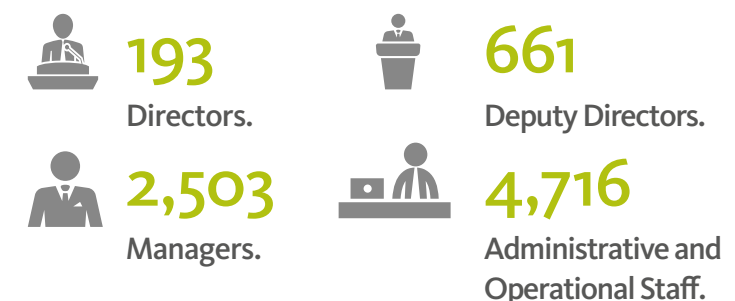


360° Evaluation

The 360° Evaluation allows us to help employees develop their personal and professional skills by assessing their workplace relationships with their superiors, peers and employees, offering them a wider outlook on their performance.

In 2018, 15,263 employees were assessed using this system.

Women



Men



Top Pool

Another program to help drive employee development is Top Pool, which helps them maximize their abilities through an exclusive rotation plan and high-level training. The target for this program are young people who have recently joined the Bank and who want to pursue a career in it.

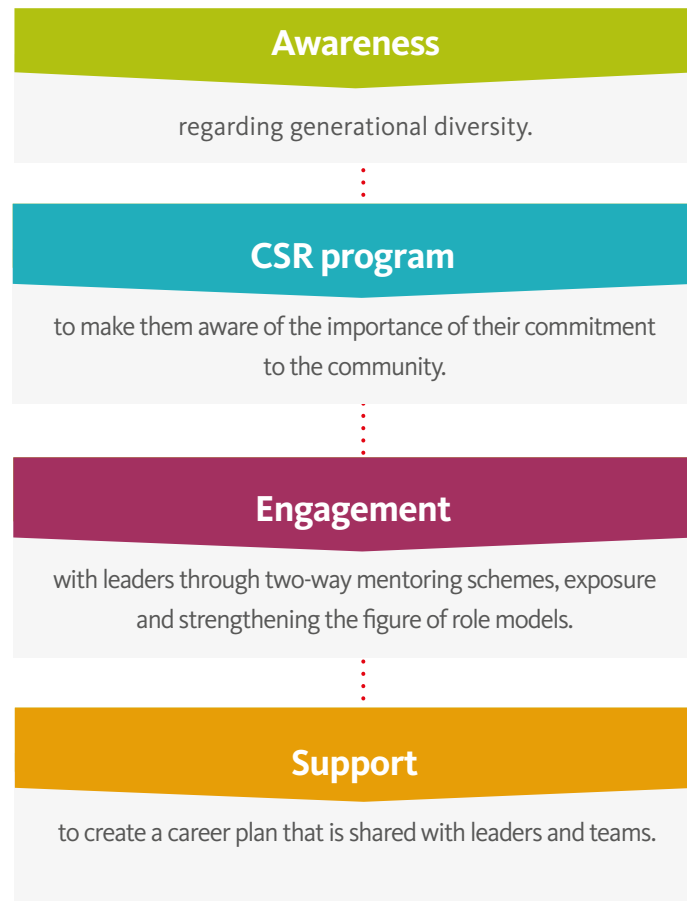
Top Pool offers training with renowned experts within the Bank, in addition to collaboration with prestigious schools. The program focuses on offering participants a face-to-face experience with directors and customers, and they even have the opportunity take part in numerous Committees within the organization.

Linkers

Linkers is a talent attraction program aimed at interns, offering valuable learning opportunities to high-potential young people for a period of nine months and opening our doors to help transform the banking sector of the future. In 2018, 169 Linkers took part in the program, 43% of whom were hired at the end of the program.

Young Talent

The Young Talent program (*Talento Joven*) is a fundamental part of Santander's goals. It focuses on driving the development of potential employees, in addition to increasing diversity within the organization. We have four strategies to promote the development and retention of young talent:



Young Leaders

In Santander corporate offices, we proposed ourselves to find the highest potential talents across the world. Therefore, we launched the Young Leaders initiative during 2018, a program that seeks to identify 250 young talents with great leadership capacity. In this program, young leaders are invited to forums and events that grants access to upper management to share their ideas, as well as an intensive 18 month training program. In Mexico, 24 young promises participated in the initiative, with the objective to become the leaders of tomorrow.



24 young Mexican talents were chosen to participate in Young Leaders.

Gender Equality and Human Rights

(405-1)

Diversity and Inclusion

Santander's Diversity and Inclusion programs are strategic elements in its business development strategy. A clear example of this is our Diversity and Inclusion Committee, which focuses exclusively on promoting this important agenda within the organization through an inclusive outlook that focuses on the positive impact differences can have on the decision-making process.



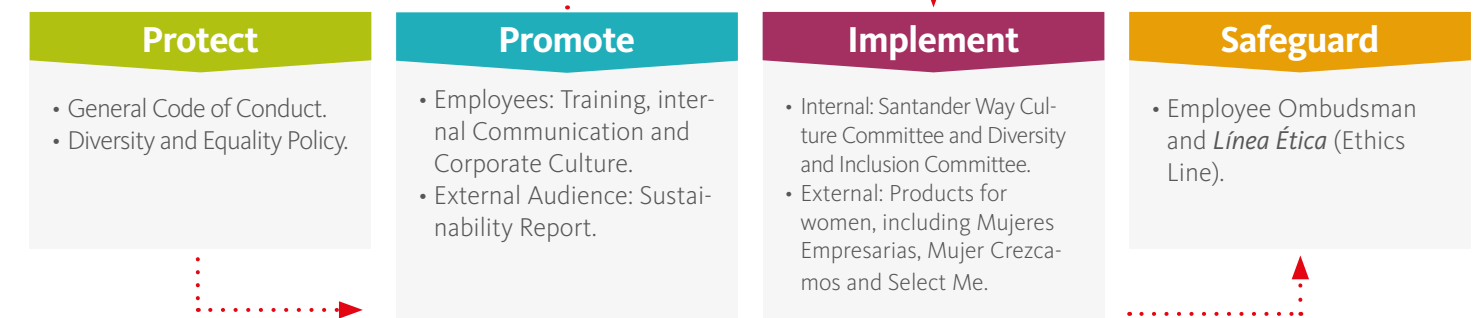
Our vision of an inclusive culture is shared through conferences and communication campaigns. In 2018, we organized a cycle of conferences on "Diversity, Privilege and Prejudice", which was attended by 1,500 people. We also launched our poster and mailing strategy entitled Equally Different (*Igualmente diferentes*). We also offered 5 sprints on the Academia digital platform regarding Diversity and Inclusion.

Gender Equality

We built programs that contribute to true gender equality and drive systemic changes within the organization to promote gender parity.



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.



Our Diversity and Inclusion Committee is tasked with driving the development of female talent from a range of perspectives. Our Female Talent pillar focuses on developing and creating female representation in strategic leadership roles within the Bank.

(405-1)

There are four strategic areas we are currently working on:

Awareness

regarding equality in leadership roles between men and women.

Changes

to the Promotion and Retention of Talent Policy.

Training

programs aimed at women.

Efforts

to achieve pay equity.

The goal is to raise awareness among the workforce through campaigns that promote a policy that considers at least one woman for each shortlist for available posts within the organization, in addition to offering training opportunities to high-potential female employees through leadership tools and mentoring schemes to help reduce the gender pay gap.

In order to meet the needs of our pregnant employees, preferential parking spaces were assigned from the fifth month of pregnancy onward.

Work-Life Balance

We fully understand that people's work represents only one part of their lives, which is why we have created an extensive Work-Life Balance program for those working at the Bank, helping drive their development outside the workplace and achieve holistic wellness.

We focus on three main areas:

Leadership

Awareness to promote flexible working hours (Flexiworking).

AM Business

to schedule customer meetings in the morning to allow employees to spend the afternoon with their children or on personal projects.

Santander Parents (*Ser Padres Santander*)

a maternity and paternity 6x2x6 program (6 hours in the office and 2 hours home office for 6 months).

The *Ser Padres Santander* program also coordinates the following initiatives:

Agreements with Nurseries

Childcare network to expand access and support for Santander parents.

Paternity and Maternity Toolkits

Support guide for parental leave.

Parent mentors

Parenthood experiences exchange.

Parent's School

Series of conferences with field expert psychologists.

Allowances and Benefits

Our role as part of a responsible banking sector is to guarantee the health, safety and education of our employees, in addition to promoting recreational activities. This is why we offer allowances and benefits that help us fulfill this goal.

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

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

(405-1)

Occupational Health and Safety (103-2, 103-3)

We safeguard the well-being of our employees by preventing occupational risks and promoting healthy practices and habits to improve their quality of life and that of their families.

Health

We have implemented the BeHealthy Mexico program, which is based on four pillars: Know Your Body (*Conóciate*), Feed Your Body (*Aliméntate*), Move Your Body (*Muévete*) and Balance Your Mind and Body (*Equilibrate*). This voluntary and attractive program is aimed at all employees, and its goal is to provide value-added to our employees, in addition to contributing to their personal well-being.

The BeHealthy program counts on the following pillars:

Know Your Body

It aims to help employees understand their health status, offering check-ups, vaccination programs, Health Week, Child Health Week, and Health Brigades.

Move Your Body

It promotes exercise and sport as a preventive healthcare strategy. Employees and their families can use the facilities at any of the 17 sports centers that Santander has an agreement with in Mexico. We also offer employee discounts at Sports World, Nelson Vargas, and other recreational facilities, such as Six Flags, Las Estacas, Sportium, Xichitla, Qarea, BioParque Estrella and Aqua Splash.

Personnel Security

We have implemented civil protection program focused on prevention, in compliance with all current norms, to ensure our employee's security. We count with security drills, we train our staff and involve our employees in our security initiatives.

1,261

total drills undertaken.

23,433

total participants.

1,240

branches involved.

14,872

employees trained in civil protection.

4

average training hours per person.

Feed Your Body

It invites employees to lead a healthier life by eating better and focusing on nutrition and prevention.

Balance Your Mind and Body

It focuses on the physical and emotional health of our employees. Its goal is to provide programs and strategies that promote a better life balance to help drive holistic well-being. A Wellness Coach is available throughout our branch network and corporate offices. We also offer emotional support, flexiworking strategies, emotional intelligence training, stress control and resilience through tailor-made plans of action.

Through this program, we strive to improve the health of our employees, helping them achieve their ideal weight, increase their energy, manage stressful situations, improve their personal and business decision-making processes, and contribute to their happiness.

A fundamental initiative that we implemented within our community is BeHealthy Week. In 2018, we reached the following milestones:

BeHealthy Week



1,020
blood tests.



1,248
comprehensive medical tests.



515
health risk assessments.



500
cards offering 50% discount on laboratory tests.



3,600
health and exercise activities.



284
participants in the 2018 Banking Games.



7,000
healthy snacks.



782
relaxing massages.



3,000
participants in the 2018 BeHealthy Race.

Employee Ombudsman

Our employees are one of the Bank's most important stakeholders, which is why we have prioritized the creation of institutional mechanisms that ensure they have a healthy working relationship with the organization.

The Employee Ombudsman is 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.

Independence, impartiality, reliability and professionalism are the founding principles of the work undertaken by the Employee Ombudsman, whose goal is to find an answer to the issues brought to his or her attention and promote the reconciliation of the parties involved.

Employee Ombudsman

285
cases received.

158
complaints received via telephone.

111
complaints received via e-mail.

16
complaints received personally.

287
cases closed.

82%
(236 cases) resolved in favor of the employee.



Responsible Practices

A key differentiator in responsible banking management can be found in day-to-day operations, including business practices. We forge transparent relationships with our customers and with the rest of our stakeholders through fair practices and business interactions that reflect an ethical approach and quality service.



Customer Practices

Our daily activities embody our firm commitment to creating a responsible financial sector. In every interaction with our customers, we offer the best possible service, and we know that to ensure their well-being, we must help them prosper.

Customer Service

The satisfaction of our customers is crucial, which is why we strive to offer them the best possible experience, which is personal, accessible, fair and innovative. Our focus lies in offering best-in-class service.

This year, we consolidated our Customer Service area through the following four areas:

Smart FAQs Engine

523,793
questions received.

Online Chat

44,585
chats activated.

Virtual Assistant

229,575
questions received.

E-mail Service

11,919
e-mails received.

These areas form part of our Central Customer Service and Assistance Unit, which is the hub for all customer comments, suggestions, complaints, doubts or other indications across our seven platforms:



Customer Satisfaction and Quality

Thanks to the surveys and comments regarding our customer service, we continue to focus on improving the experience and quality of our services.

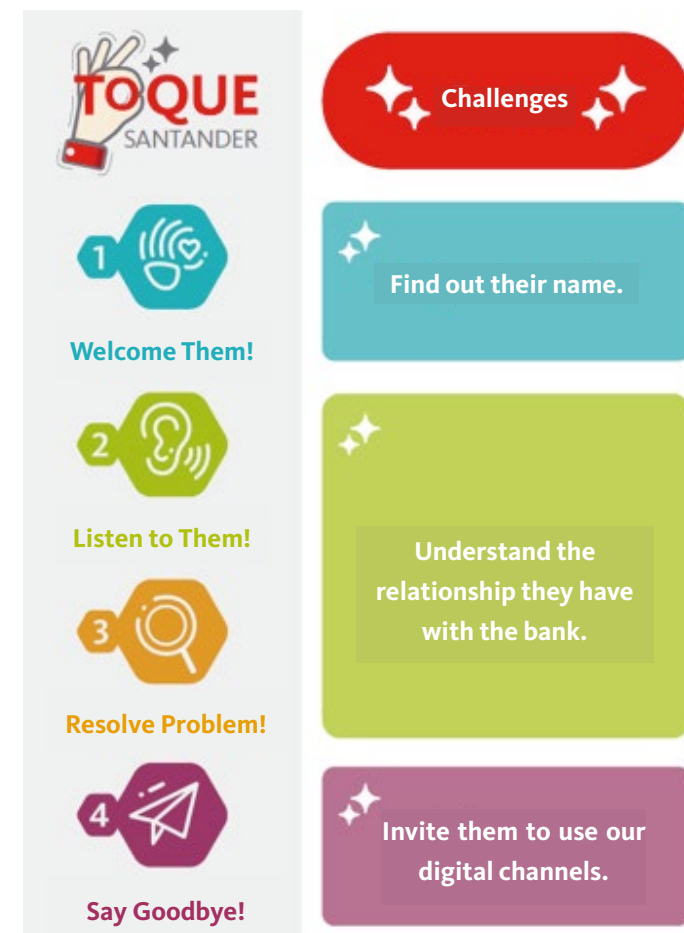
The Central Customer Service and Assistance Unit and Market Research area develop a range of studies every year to help align our new product and service launches and measure their functionality and acceptance.

These studies are carried out through focus groups, mystery shoppers, and face-to-face, telephone and online interviews. In 2018, we implemented the following studies:

- Somos el Banco Serio (We are the Serious Bank) Campaign.** Coordinate group sessions and pre-testing advertising (five) to fine-tune the campaign with the new image we want to transmit to our customers, in addition to ongoing post-testing to evaluate the impact and possible areas of improvement for the campaign.
- Unification of Reward Programs.** Evaluate the acceptance of the possible unification of our three loyalty programs (which are currently unified), in addition to proposing a name for our new platform.
- Consolidation of our Rewards Program.** Identify areas of opportunity to get customers to activate the program and redeem points.
- Foreign Currency Uses and Habits.** Understand the behavior of the Mexican foreign currency market, offering solutions to the unmet needs of this target.
- Select Groups: Doctors and Pilots.** Explore the met and unmet needs of these groups by Mundo Select to develop an ad hoc proposal.
- Work Café.** Assess a new customer service concept in Mexico, entitled Work Café, which has been implemented successfully in other countries.

- **Ultra-Black Credit Card.** Understand the relevant benefits and differentiators for the value proposition offered by the Ultra Black credit card.
- **New SuperMóvil Features.** Undertake usability testing to evaluate the new features of our app.
- **Súper Cuenta Prizes.** Identify what types of rewards are most popular, both by our customers and non-customers, recognizing them through behavioral patterns in how they manage their accounts.

During 2018, we implemented the *Toque Santander* program, which is based on the *Estilo Santander* initiative and an online self-management program for problems and doubts to help consolidate Santander's vision: Simple, Personal and Fair.



As part of our efforts to improve our customer service, we increased the number of satisfaction surveys in 2018 by 157%.



¹⁶ In addition to achieving a score of 10, the customer received special service that improved their overall experience.

We also have a customer loyalty strategy that is based on campaigns and rewards, offering access to events and concerts, points in a range of stores and interest-free payments to help reward our customers.

These campaigns are implemented throughout the year for Santander cardholders, and they include:

Campaing	Description
Celebrity Match 1	A pair of concert tickets to see Lenny Kravitz, Ha-Ash, The Killers and Luis Fonsi. Applicable for Santander Mastercard cardholders who meet spending limit.
Champions League	Trips to watch the final of the Champions League in Kiev and 1,000 other prizes. Applicable for cardholders who meet spending limit.
Double Points Spring Break	Double Reward Points on all purchases + 3 and 6 months interest-free for purchases made abroad and in Mexico.
Celebrity Match 2	A pair of concert tickets to see Katy Perry, Demi Lovato, Maroon 5 and Laura Pausini. Applicable for Santander Mastercard cardholders who meet spending limit.
Celebrity Match 3	A pair of concert tickets to see Chayanne, Carlos Rivera, Hombres G and Enanitos Verdes, and Reik. Applicable for Santander Mastercard cardholders who meet spending limit.
Double Points Summer	Double Reward Points on all purchases + 3 and 6 months interest-free for purchases made abroad and in Mexico.
Fórmula 1	Formula 1 tickets in the Platino Plus and Foro Sol Norte sections when making purchases with Santander Visa and Mastercard. Applicable for cardholders who meet spending limit.
Pocket Show Miguel Bosé	A pair of concert tickets to see Miguel Bosé in Auditorio BlackBerry. Applicable for cardholders who meet spending limit.
NFL	5 trips to watch the Super Bowl and 400 official NFL prizes. Applicable for Santander Aeroméxico Visa cardholders who meet spending limit.
Champions League – Quarter Finals	14 trips for two people to watch a Champions League quarter final and official prizes. Applicable for cardholders who meet spending limit.
Health and Wellness Positioning	5% cashback in Reward points for all health spending + 10 months interest-free for purchases of MXN \$2,000 and more in health and wellness stores.
Double Points End of Year	Double Reward Points on all purchases made with Santander credit cards.

We also have cutting-edge digital transformation initiatives that help create a unique experience for our customers

Digital Transformation Initiatives

Loyalty Hub

Integration of our *Recompensas* and Santander Twist programs into one loyalty platform to help increase invoicing, persistence and point redemption.

Biometrics

Increased customer security using physical and behavioral characteristics to help reduce fraud stemming from identity theft.

Mis Metas (Übank)

Digital mobile savings to help customers reach their goals through an automatic savings program in partnership with Übank.

Accessibility



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

At Santander, we have increased accessibility to ensure that more Mexicans have access to financial services, helping create an inclusive financial model.



+25,700

access points available throughout the country, 365 days a year.



40,691,656

transactions through our correspondent banks, a 27% increase in a year-on-year comparison.

In 2018, we added more than 1,800 establishments to our correspondent banking network by signing agreements with *Farmacias Guadalajara* (which has operations in 370 towns and cities throughout the country) and 7/24 Mix, offering our customers quick and easy access to banking operations. We are striving to increase the banking services we offer to areas where there is currently no coverage, providing access to services such as debit and credit card deposits.

These agreements are in addition to our correspondent banks at stores including: OXXO, 7 Eleven, Circle K, *Tiendas Extra*, and Telecomm offices.

Correspondents

18,582

OXXO branches.

1,754

Telecomm branches.

1,796

7 Eleven branches.

1,176

Circle K, K, *Tiendas Extra* branches.

2,032

Farmacias Guadalajara branches.

450

Súper 7/24 Mix branches.

Transactions

27%

Percentage Increase in Transactions compared to Bank's Total for 2018.

35,944,299

transactions through OXXO.

2,676,791

transactions through Telecomm.

1,753,728

transactions through 7 Eleven.

211,974

transactions through *Farmacias Guadalajara*.

104,694

transactions through Circle K, *Tiendas Extra*, K.

170

transactions through Súper 7/24 Mix.

We also have channels that facilitate access to transactions for all our customers.

Branches

ATM's

18,463,276,128

total transactions.

13%

percentage Increase in transactions compared to 2017.

SuperMóvil

1,602,909,853

total transactions.

2,423,546

SuperMóvil users.

68%

percentage Increase in transactions compared to 2017.

61%

percentage Increase in customers compared to 2017.

SuperNet

322,669,897

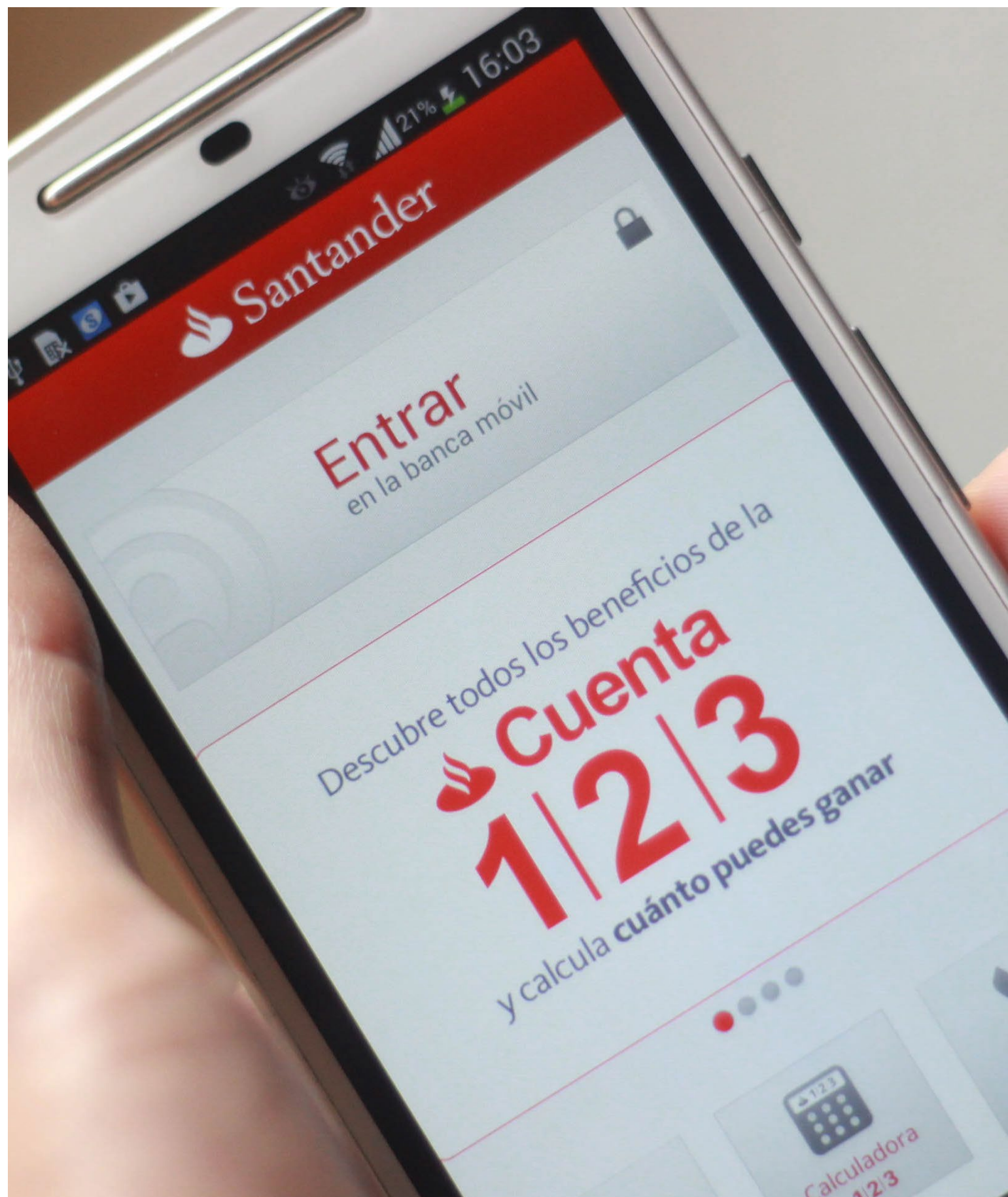
total transactions.

1,012,342

SuperNet users.

4%

percentage Increase in customers compared to 2017.



Contact Center

43,012,145

total transactions.

996,561

average number of customers per month.

1%

percentage Increase in customers compared to 2017.

1,500.11

portfolio recovery in 2018 (millions of pesos).

Direct Debit

146,849

directs debits in 2018.

165%

percentage Increase in direct debits compared to 2017.



Personal Data Protection

We value the trust our customers have placed in us to safeguard their personal data, and we assume all the responsibilities this entails, which is why we have designed data protection mechanisms that ensure compliance with all data procurement, storage, handling and transfer requirements.

Data protection is governed by two statutes: the Data Security Incident Management Policy and the Privacy Notice.

Statutes for Data Protection

Data Security Incident Management Policy.

Its function is two-fold: firstly, it describes potential incidents that could occur and the way in which the latter should be reported. Secondly, it outlines the different actions that should be implemented to indemnify, mitigate or sanction any damage caused. These actions include, among others: (i) investigation, (ii) mitigation proposals and (iii) corrective measures. The policy is designed and implemented by the Data Security Office (OSI).

Privacy Notice:

It stipulates the position of the Bank with regard to the protection of personal data, in addition to describing, among others, the following concepts: (i) definitions, (ii) information of responsible parties, (iii) information provided by the owner, (iv) purpose of the data use, (v) limitations of data use and disclosure, and (vi) measures for exercising ARCO rights (Access, Rectification, Cancellation and Opposition).



Given our data handling responsibilities, we have a priority focus: the creation of a culture of personal data protection through training sessions coordinated by the Human Resources and Compliance areas.

We have made our Privacy Notice accessible to our customers, and it includes how we, as Santander Mexico, handle their personal data and to whom it can be transferred, in addition to a brief explanation of how to exercise their ARCO rights and which authorities they need to contact in the event of any complaints regarding how their personal data is being handled.



Customer Ombudsman

For more than ten years, we have been developing and perfecting our Customer Ombudsman model, which specializes in providing our customers with an institutional voice within the organization. This transparent model is coordinated by third parties to improve communication between the customer and the company, in addition to mediating conflicts and clarifying opinions.

Customer Ombudsman Tools:

Corporate Tableau

Provides information to monitor customer participation in issues that are handled and resolved by the Customer Ombudsman.

Neojúpiter

Allows representatives from the Commercial and Personal Banking departments to understand which customers are being supported by the Customer Ombudsman, in addition to providing them with a complete overview of their customers' situations.

The Customer Ombudsman also provides the Board of Directors with quarterly reports containing statistical information about the cases handled. This provides the Board with an indirect manner of consulting stakeholders to help decision-making processes, in addition to opening a communication channel between Santander and its customers.

Customer Ombudsman



305
complaints received via telephone.

812
complaints received via email.

59
complaints received personally.

248
complaints received via web.



Business Practices

Responsible marketing, ethical sponsorship and metrics encompassing the social and environmental impacts of our operations are some of the practices we focus on to consolidate our position as a Bank that currently leads the market and hopes to continue doing so in the future.

Responsible Marketing

Responsible and sustainable marketing is a transformative and high-impact tool that we have used at Santander to drive better results. We have focused on creating campaigns that respect both the environment and society.

During 2018, we promoted the transparent use of our products and services, not to mention the social and environmental activities we implemented.

We have reduced the amount of printed advertising we send to our customers (direct mailing). Furthermore, as part of our media plan we used outdoor digital screens and our traditional billboards use biodegradable inks and materials.

All printed materials sent out to branches use inks that are low in chemicals, helping to protect the environment and the health and well-being of employees who handle these products

Portals: AutoCompara and CasaCompara

Our [AutoCompara](#) service provides users with a means of quoting, comparing and purchasing online car insurance in a safe and comfortable manner, helping them save time and money.

It is not just an online sales platform; when purchasing insurance via AutoCompara, customers have the full support of Santander behind them when dealing with the insurance company.

In 2018, there were a total of 1,964,974 users and 14,096 insurance policies sold.

[CasaCompara](#) is our real-estate portal, providing users with a comprehensive comparative analysis of real-estate options in a safe and reliable manner. In 2018, 921,374 users joined the platform.



Social Networks

Social networks have become major allies of the Bank, helping us achieve our goals. Through 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.

In 2018, we promoted sustainability campaigns focusing on areas such as: corporate volunteering, ATM, branch and employee donations, *Fideicomiso Provivah*, reforestation, education and scholarships, sustainability, financial inclusion, post-earthquake reconstruction, sustainable Santander, gender equality and diversity, among others.

YouTube - Banco Santander



Facebook - Santander Mexico



Twitter - @SantanderMx



Instagram - @santander_mex

6,652

followers in 2018.

79%

increase vs 2017.



Linkedin - Banco Santander Mexico

40,556

followers in 2018.

96%

increase vs 2017.

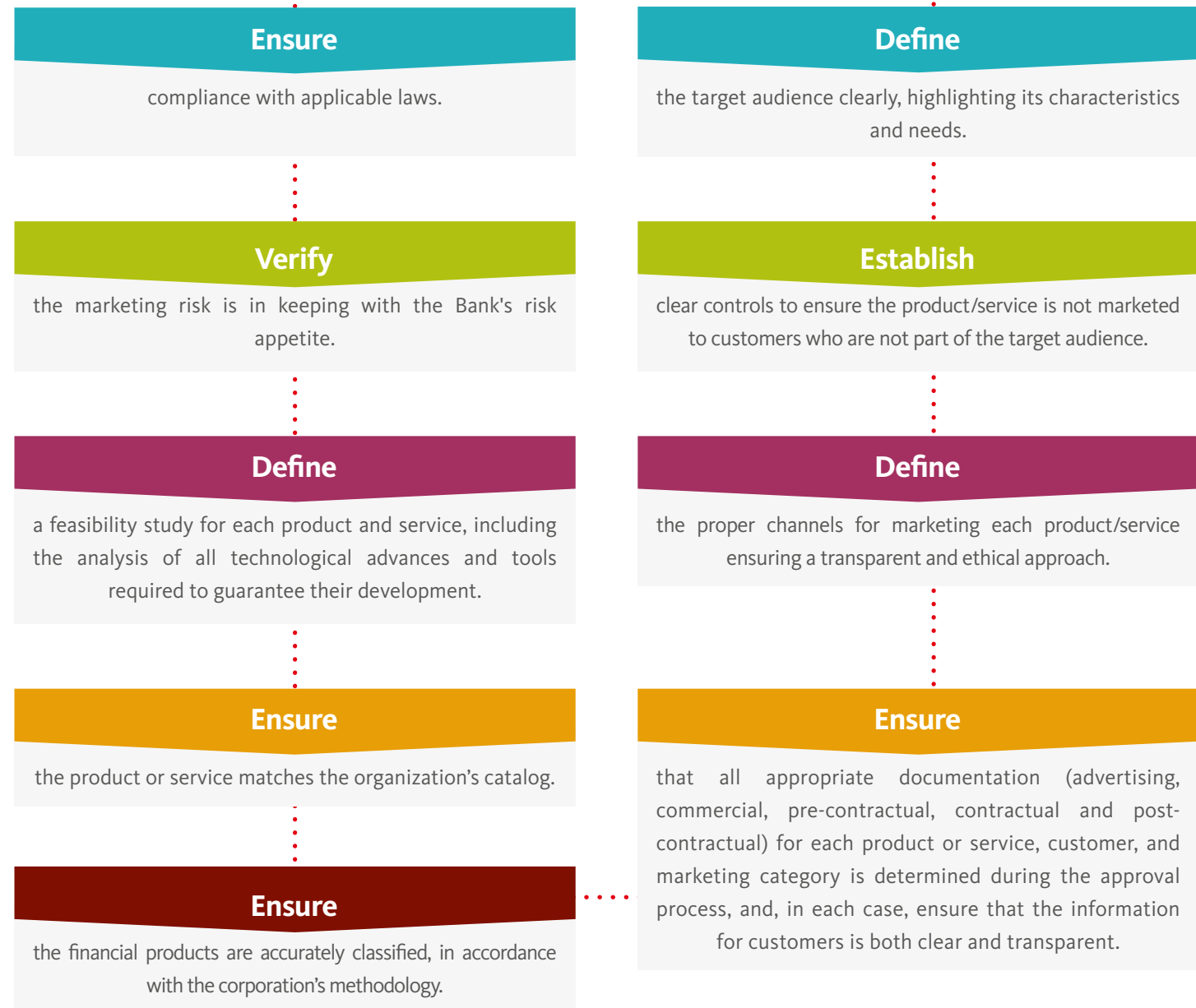


Marketing New Products and Transparency

We implement best practices in the marketing of our new products. We want our customers to understand the benefits, and risks, of adopting our products into their everyday lives in as a direct and transparent manner possible.

To achieve this, we have defined a regulatory framework to prevent, mitigate and minimize the risks to the Bank's sustainability posed by marketing during the pre-sale, sale and post-sale processes. The Local Marketing Committee (CLC for its Spanish acronym) coordinates all activities relating to the marketing of Santander's products.

Main Task of the Local Marketing Committee's (CLC)



Sponsorship

To drive engagement with our customers, we focus on sponsoring a range of events that our customers are interested in. By involving our brand in sporting, cultural or entertainment events, we are promoting a more open dialog with our customers, in addition to increasing the benefits of banking with us. All our sponsorship activities are undertaken with the highest ethical standards, and we ensure that they are events that generate value for our customers and provide us with the opportunity to collaborate on social and recreational activities.

In 2018, we sponsored:

- F1 ticket pre-sale
- UEFA Champions League
- Mexican F1 Grand Prix
- UEFA Champions League

Digital Transformation



Digital transformation and transparency are the core of our business, helping ensure that we will continue to operate responsibly in new economies. At Santander, we have leveraged technological developments, adapting our business and working on the cutting-edge of mobility, service digitalization and security, among other major technological milestones.



We have transformed the way we work to create a solid and talented team that is capable of offering what our customers need in this digital age, while protecting their interests and personal data.



9.b Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

Channel and Platform Digitalization

The digitalization of our channels and platforms allows us to promote accessibility and improve user experience, in addition to compelling us to constantly tackle new technological challenges that are an integral part of innovation.

We have designed customer support channels to improve user experience and drive accessibility. Some improvements we implemented in 2018 include:

- The launch of the speech analytics model, which offers an improved customer experience by focusing on the roots of their needs, increasing problem resolution and reducing the need for calls. In terms of sales, it also helps us identify the best business cases.
- Both *SúperNet* and *SuperMóvil* have been promoting the digital sale of short-term credit products: more than 35,000 balance transfer and consumer loans in 2018. We are including a wider range of self-management features via digital channels: increases to credit card

limits, deposit and investment inquiries, SMS portability without the need for the SuperTóken, among others.

- Through the FITBIT- MasterCard alliance, in 2018 we designed a system for contactless digital payments via Garmin and FITBIT smart watches. This makes us as the first bank in Latin America to offer digital payments using these devices. This payment method has its own security measures.

In 2018, we launched a remote customer support channel, the first of its kind in Mexico. It is called **Santander Personal**, and it helps us better engage with our digital customers through an innovative communication platform with specialist managers. We ended the year with more than 37,000 customers, who we support through this new multi-channel online model.

First bank
in Latin America to allow digital payments through smart watches.

2.891

million digital customers, an increase of 38%.



Investment in Innovation and Technology

We invest in developing new technologies that help drive the performance of our organization thanks to the responsible use of innovation.

Through Spotlight, the new digital factory for developers of solutions and new projects, we are driving the transformation of digital banking in Mexico to the benefit of our customers.

In 2018, we coordinated more than 15 digital projects, including:

Go Pay

A unique payment platform on *SuperMóvil*, offering customers an option to pay their services from their phone.

Onboarding for SME's

Improvements to SME customer experience by offering technological solutions for invoicing and the opening of checking accounts, among other services.

C2S

Transfer of credit card balances from other banks via *SuperMóvil*.

Verónica

Chatbot offering tailor-made support via a user-friendly and accessible platform.

Smart search engine

A digital tool on the *Santander Empresas* website that offers customer support.



Spotlight

took part in the Talent Fest organized by Laboratoria, driving the growth and inclusion of women in digital spaces.

Our innovation and technology team have also been working on the following projects:

Radar Santander

Program to find, select and accelerate potential talents created within the FinTech entrepreneur ecosystem in Mexico.

Digitalization of Contact Center

Renewal of IVR (Interactive Voice Responsive) technology to improve customer service, meeting 80% of demand through customer self-management tools.

SuperNet and SuperMóvil

Promotion of the digital sale of short-term credit products: more than 35,000 balance transfer and consumer loans in 2018. We are including a wider range of self-management features via digital channels: increases to credit card limits, deposit and investment inquiries, SMS portability without the need for the SuperTóken, among others.

Santander Personal

A unique remote support channel in Mexico, helping us drive engagement with our digital customers through an innovative communication platform with specialist managers.

Súper Wallet Santander

New features for the integrated management of credit and debit cards, including smart blocking for cards, contactless payments, and point-based payments. In 2018, we had 427,772 customers.

Hola Code

Partnership with Hola Code, an organization that offers training to dreamers who have been deported from the United States, helping them become software developers and providing access to financial services. Spotlight organized a recruitment day, where we offered two posts to graduates from the first generation of the Hola Code program.



Spotlight

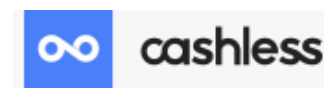
helps young **dreamers** find work by offering training, talent attraction and induction.

Supporting FinTech

Mexico has one of the largest FinTech ecosystems in Latin America. Collaboration is a fundamental part of this industry, both in terms of its present and its future, which is why we are working alongside projects that focus on payments, artificial intelligence, digital savings, SME's and international transfers, among others. Our goal is to generate value and improve the services we offer our customers.

In 2018, alongside Endeavor Mexico, a leader in entrepreneurial development in the country, we launched the Radar Santander program, from which we selected the best high-impact FinTech projects, which are capable of finding local solutions to global digital problems.

The four FinTechs that form part of the acceleration program are:



A cash-free payment solution for mass events using bracelets.



A solution to send people money, pay for services, and pay at establishments.



A payment engine that facilitates financial interaction among individuals.



A solution to operate POS terminals using Quick Response (QR) codes.

We forged

an alliance with Mastercard to offer contactless payments on Samsung, Fit Bit and Garmin devices.



UNICEF Mexico / Andy Richter

INCLUSIVE AND

Sustainable Growth

- ✔ Boosting Entrepreneurship
- ✔ Financial Inclusion
- ✔ Social and Environmental Impact
- ✔ Supporting Higher Education in Mexico
- ✔ Communities

(102-6)

 **18,191** children supported through *Fideicomiso por los Niños de México*.

102,330 people helped.

35,253 people benefitted of social and environmental programs.

67,077 people helped through products and services that have a positive impact on society and the environment.

47%

of the energy we consume comes from clean sources.

 **\$209,414,591** MXN in social investment.

We reached a 11.5% reduction in water consumption.

We granted

26,923 loans through SME programs.



6,040

scholarships for domestic and international mobility, academic studies and entrepreneurship.



33,008

microloans to promote financial inclusion in 2018.



7,234

people took part in our financial education programs.

The Santander Business

a Innovation Award took in 1,326 projects from 2,936 participants.

We reduced

our energy use - the equivalent of lighting **1,315** Mexican households for a year.

Through programs that benefit students, entrepreneurs, business owners and society in general, we helped contribute to the creation of a more balanced and inclusive social and economic environment.

We also strive to ensure that our actions do not damage the environment, implementing measures to reduce our electricity and water use, as well as other factors that have an impact on our surroundings.

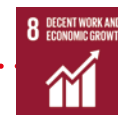
Boosting Entrepreneurship



At Santander, we have the privilege and responsibility to be in a unique position that allows us to have a significant influence on Mexican society by supporting people and helping their businesses prosper.



Spearheading efforts to promote the development of vulnerable communities, entrepreneurs and small companies throughout the country is a central part of our short-, mid- and long-term strategy, as we firmly believe that only by focusing on collective prosperity can we achieve the future we all want.



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.

SME Programs

SME's are a key catalyst for development and a major market for Santander; they are the foundation for driving sustainable and inclusive economic growth as they represent a stable and well-remunerated source of employment that is of benefit to society as a whole.

We have designed specific products aimed for people starting or expanding their own business.

Non-Financial SME Activities:

576 online training licenses.

1,398 face-to-face training sessions.

26,923

loans granted in 2018.



Loans for SME's focusing on socio-environmental issues:

Emprendedores

Loans for entrepreneurs who want to start their own business but who do not have the capital to do so. We granted **648 loans** to entrepreneurs who are committed to their businesses.

Crédito Agro

A loan that offers tangible benefits for our customers who are members of agricultural communities. These benefits range from extending their inventory financing period to providing flexible payments based on the agricultural cycle. We offered **388 loans** to a range of agricultural entrepreneurs.

Paquete Menonita

Through this program, Santander supports Small and Medium-sized Enterprises in the Mennonite community in Chihuahua. We offered **7 loans** to entrepreneurs from the Mennonite community.

Impulsos Comerciales

Financial support to promote entrepreneurship in Mexico. We offered **22,529 loans** to specialized sectors.

Mujeres Empresarias

Financing to help drive the growth and modernization of companies owned by women and remove financial barriers. It is offered together with NAFIN. We were able to grant **697 loans** to women-led enterprises.

Mujer Crezcamos Juntas

A loan exclusively for female entrepreneurs who have a business they want to refurbish, modernize, equip, fix and/or expand. This product is offered in collaboration with the federal government in Mexico. We granted **13 loans** to female entrepreneurs.

Partnership with Cívico

A package offered by Santander in conjunction with Cívico, which includes a comprehensive range of products based on the needs of each business. We gave out **8 loans** to different SME's.

Microentrepreneurs

We have a program that promotes the development of microentrepreneurs in 5 different areas: Talent and Training, Employment, Internationalization, Connectivity, and Financing, to help them overcome the major obstacles facing their development and solvency.

 **24,290 people** benefitted through these loans.

We also have international business support and outreach programs that offer local SME's the opportunity to forge business alliances with partners with whom the Bank already cooperates, offering them the option to export and import.

These programs include:

- **Santander Trade:** A service that offers our customers information from the international market, global databases, international directories and tailor-made services to help them successfully expand their operations internationally.
- **International Desk:** A personalized and multi-lingual service desk providing access to the complete range of Santander's local products, as well as to our international contacts.



Inclusive Economy

We have forged the following alliances to ensure we have the greatest possible impact in this area:

- **Avanttia** - The market tends to focus on the top layer of SME's, the majority of whom do not specialize in Mexico's tax processes, which means they are not in the position to provide an Electronic Payment Receipt (a new invoicing regulation).

A cloud-based billing solution offers business owners the ability to manage and control their company's billing no matter where they are by using an Internet-connected device.

- **Cívico** - A digital company that connects people to their city by mapping local information through crowdsourcing to facilitate transactions between consumers, businesses and brands.

It has a database of 346,000 businesses and an integrated service proposal that encompasses bidding, digital payment methods and training in digital marketing.

Santander SME Online Loan

At Santander Mexico, we have launched two online loan models exclusively for SME's, enabling them to accelerate customer response times from 48 hours to just 60 minutes after approval. This new model focuses mainly on digital natives and young entrepreneurs from small and medium-sized companies, who are accustomed to digital processes and an entirely online loan request.

- **Crédito Simple** for working capital, with terms of between 12 and 36 months.
- **Crédito Ágil** for working capital, with a 12-month term.

(103-2, 103-3)

The online support model allows Santander to quickly and easily receive loan requests, assess the information received, ensure it complies with the necessary requirements, and provide a response in just an hour, the time it takes for the Bank to inform the applicant if their loan has been authorized. This means that the application process for these two loans is dynamic and easily accessible, helping those who want to invest in their small and medium-sized businesses. This is a responsible way of advocating for the interests of our customers.

SME's and the Ministry of Economy

In conjunction with the Ministry of Economy, we help entrepreneurs and SME's through a system that helps reduce the response time for the opening of a checking account from 5 days to just 20 minutes.

This agreement makes us the first bank in Mexico to recognize companies that have been registered as Joint-Stock Companies (SAS for its Spanish acronym) with the Ministry of Economy.

Promotion of Entrepreneurial Talent

The entrepreneurial ecosystem in Mexico encompasses a wide range of actors who play a vital role in driving development in the country. The financial sector plays a major role in this process by supporting entrepreneurs who are starting their own businesses and who do not have the tools necessary to do so.

In partnership with Santander Universities, we have proudly taken on the role of supporting entrepreneurs, ranging from providing capital to research and development. We focus on areas in which our activities can have the greatest possible impact, helping people and companies prosper.

We offer them access to support services, including scholarships, online and face-to-face training, roadshows, and other tools to help them reach their goals



(103-2, 103-3)

Santander Business Innovation Award

Through Santander Universities, every year we coordinate the country's leading university entrepreneurship competition: the **Santander Business Innovation Award**. Entrepreneurs can take part in the Social Impact category, with projects focusing on improving people's living conditions through clean energy, sustainable housing, domotics, smart cities, health, education and the digital divide. On the other hand, the Business Innovation category focuses on projects that promote the consolidation of the productive sector, in areas including FinTech, financial inclusion, industrial technologies, new businesses, Big Data, mobile applications and cyber security.

In the 13 editions of the award, there have been:

MXN **\$21 million**

in prizes.

8,062
projects entered.

29,897
young entrepreneurs involved.

In 2018 we took in

1,326

projects from

2,936
participants from public and private universities from throughout Mexico.

Winners in 2018

Social Impact: Insight Alert, an innovative device that focuses on decreasing patient mortality rates as a result of infections. It is a plastic cover that quickly identifies the growth of bacteria in catheters.

Business Innovation: Ecofilter, a project that recycles cigarette butts to make paper, cardboard, insulation and other materials, helping to reduce deforestation and protect the environment by replacing the cellulose extracted from trees.

Santander Scholarships for High-Impact Entrepreneurs - TREPCAMP

An intensive training program for entrepreneurs at major innovation centers in the USA, focusing on driving development and improving society.

Participants in this program can expand their networks and forge partnerships as it is a forum for young entrepreneurs, investors, experts and specialists who all contribute to the development of the entrepreneurial ecosystem.

From Startup to Company - Lean Startup MX

We designed a program that aims to consolidate the entrepreneurial ecosystem in Mexico using the Lean Startup methodology to promote dynamic and innovative startups, as well as creating new companies that help drive regional economic growth.

This methodology has increased the production value of the project development phase, offering startups greater opportunities of success without the need for major external funding.



MOOC "From Idea to Company"

This entrepreneurial course focuses on developing skills and competencies, as well as the application of innovation within an organization and create solutions for innovative products and services.

It has been popular among students from public universities, who are provided with materials that useful for entrepreneurs.

Failure Study in University Entrepreneurship in Mexico

In conjunction with The Failure Institute, we published a research study entitled: "Strengthening Entrepreneurship in Mexico". This study, the only one of its kind, outlines the main reasons why college entrepreneurship projects fail.

The study focuses on researching the failure of businesses created by college students in Mexico, encompassing the experiences of more than 200 college entrepreneurs.



[Read the complete study here.](#)

Financial

Inclusion



The United Nations (UN) has identified financial inclusion as one of the most important elements in reducing poverty levels. There are currently 25 million Mexicans who have no access of any kind to financial services*. At Santander, we are committed to promote and consolidate access to these services, in addition to promoting financial literacy to help reduce poverty levels and contribute to inclusive growth.



*National Survey of Financial Inclusion 2018(CONDUSEF, INEGI). Se puede consultar en: https://www.gob.mx/cms/uploads/attachment/file/414831/Cuadr_ptico_2018_verimpresa.pdf.



1.4 By 2030 ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership, and control over land and other forms of property, inheritance, natural resources, appropriate new technology, and financial services including microfinance.

Microloans

(103-2, 103-3, FS13)

As we have mentioned before, our goal is to help people and their businesses prosper, which is why, since 2017, we have been offering microloans, which focus on supporting inclusive and sustainable economic growth.

Tuiio, Finanzas de tú a tú is a microfinancing program aimed at informal entrepreneurs who want to help their businesses grow. It is based on a different way of doing things, using financial consultants who offer entrepreneurs the tools they need, in addition to providing tailor-made support and using easy-to-understand language.



33,008

microloans granted in 2018.

This program is based on the key principles of financial inclusion: inclusive growth, digital revolution, accessibility and customer protection. The main goal is to have a sustainable and profitable social impact on our customers through financial and non-financial services, creating networks that facilitate the growth of their businesses and the well-being of their families.

The major support mechanisms offered include:

Courses

that help customers to use financial services (savings, credit, budgeting, use of ATM's).

Web app

and printed educational materials for children (6-10 years old), covering issues such as: water and energy savings, expenses, savings goals, and the environment.

Support networks

A digital market offering exclusive benefits to members of the Tuiio community, including discounts, workshops, courses and collaborative workspaces at Tuiio branches.

Financial tips

and digital simulations.

The Tuiio customer support model is based on 29 branches (access points), enabling us to better engage with our customers and allowing them to sign up for products directly from their own homes (using digital tools) or at our branches and banking kiosks.

Our branches focus on creating a Tuiio community by promoting entrepreneurial activities among our customers and facilitating the creation of business networks. We also offer our customers free Internet access (Wi-Fi) at our branches.

We currently have a series of indicators that measure the short-, mid- and long-term social impacts of the program based on the generation of responsible and shared value.

In the long-term, we expect them to achieve economic prosperity, hone their business skills, improve financial literacy and drive social development in areas such as personal health and empowerment.

The product lines offered as part of the Tuiio model include:

Savings

Tuiio customers have access to a 100% online savings account that is opened remotely. This account is not only used to deposit loans, but it also offers customers the opportunity to save in a secure manner, as well as receive money from third parties and make payments and purchases, be it through mobile and online banking services or via their debit card.

Insurance

All Tuiio customers have a life insurance policy of MXN \$20,000, as well as a policy covering serious illnesses of up to MXN \$5,000 and another for funeral expenses. The goal of these insurance products is to reduce the impact of catastrophic and unforeseen events that affect the lives of our customers and their families. It is important to mention that these policies cost less than MXN \$15 per month (USD \$0.75). In 2018, the cost of these policies was covered by Tuiio in support of our customers.



To ensure we offer a best-in-class service, we provide our Tuiio employees with training in finance and customer service to ensure they have the knowledge and skills necessary for both their professional and personal lives.

In 2018, we offered the following courses:

What's Up with my Finances?

A Financial Literacy program that certifies 100% of all new employees in personal finance issues and the proper use of financial services.

Finance Tips

An on-going communication campaign every Friday via WhatsApp groups that provides tips on financial services and personal finances.

Customer Service

During the induction process, all our new employees take part in a customer service workshop.

Other Financial Inclusion Products

Through Santander Universities, we support the financial inclusion of college students by offering them our Smart College card and Zero credit card. We are the first bank to have 60% of our customers of this segment.

Debit Cards for PRONABES Scholarships

We are proud to be the financial vehicle for the payment of scholarships from the National Scholarship Program for Higher Education (PRONABES) for students enrolled in public higher education. Through this program, we help offer banking services to young people from vulnerable sectors, supporting inclusive social and economic development.

To date, we have distributed cards in four states throughout Mexico, mainly at autonomous state universities.

Financial Education

(103-2, 103-3, FS16)

Financial education is a priority for Santander, which is why we have been focusing our efforts on forging alliances with educational institutions that benefit society as a whole. Thanks to our actions and Financial Education program, we are one of only five banks endorsed by National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF) in the country.

We are a member of the Financial Education Committee of the Mexican Association of Banks (ABM), where we are also members of the General Committee and a specialized committee comprising the five largest banking institutions in Mexico.

7,234

people benefitted by Tuiio programs to improve financial education and literacy.



Through Tuiio, we offer Financial Education programs to our customers, children and the community in general:

 Customers

Tuiio por tu Salud Financiera

This application is available for Android users. During the first loan cycle, our customers receive information, allowing them to better understand their repayment capacity, the benefits of formal savings, and information on how to use payment channels, such as ATM's.

Tuiio Simulators

This application offers customers support from the loan application process onwards, in addition to promoting the use of technology. We offer them information about how to set up an e-mail address and a digital super account, and information about ATM transactions, such as cash withdrawals, loan payments, etc.

Financial Advice

During the loan process, the customer receives information and advice about how to avoid over-indebtedness, as well as useful information about repayment capacity, formal savings, online banking, digital tools, and how to protect their credit history.

Business Development Conferences

We organize talks for our customers about how to use tools to help their businesses grow and promote the use of technology to help drive sales.

 Children and the Community in General

Guardianes del Ahorro

Each Tuiio office has tablets with five applications, including games aimed at children between four and twelve years of age, promoting financial and non-financial savings and raising awareness about incidental expenses.

Financial Challenges and Games

We have developed a range of educational games for children, offering them information about basic concepts through different activities to help them boost their savings and safeguard their resources from a young age.

All our offices have a set of games that promote financial education, helping children learn about savings and expenses through team-based games and interaction, which are both easy and entertaining.

Guardianes del Ahorro

1,020

boys and girls benefitted.

Tuiio por tu Salud Financiera

6,214

people benefitted.

We also have other programs that offer our customers, users and employees information about how to protect their personal finances:

ABC of Your Finances - Simulators

We have created simulators to help implement theoretical and practical tools that focus on personal finances. We are also designing credit card and personal loan simulators, helping us to keep up-to-date with the digital culture of new generations.

We launched the new image for our ABC of Your Finances education site, working in conjunction with numerous educational institutions, such as the Tec de Monterrey, to design courses for the platform. These free courses are aimed mainly at individuals and SME's.

The courses for SME's focus on a range of issues: SME management; leadership and managerial skills; finance and accounting; human capital; and, sales and marketing. We also have the Instituto del Conocimiento (Knowledge Institute), through which we offer seminars and conferences to help support SME's.

Stand at National Financial Education Week

We took part in National Financial Education Week, organized by the National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF) and ABM. In 2018, the Santander stand was visited by more than 6,000 people.

Financial Education for College Students

In 2018, we launched a Financial Education program for college students, encompassing content on social networks and talks at a number of higher education institutions. The content focused on providing an easy-to-understand guide for young people on how to start their financial life, how to use products, and, above all, providing clear examples to help them understand financial concepts.



We spread the following videos:

Welcome to Your Financial Life

Why Do We Need a Bank Account?

What Is the Difference Between Credit and Debit?

The Features of Your Credit Card.

What Are Savings?

Learn How to Use Your Credit Card.

What Is the Credit Bureau?

Social and Environmental Impacts



Our greatest responsibility in social and environmental terms as a responsible bank lies in financing our customers' resources, focusing on a low-carbon economy and projects that involve sustainable consumption and have a positive impact on society.



13 CLIMATE ACTION
Take urgent action to combat climate change and its impacts.

11 SUSTAINABLE CITIES AND COMMUNITIES
11. Make cities and human settlements inclusive, safe, resilient and sustainable

In 2018 our corporate buildings in Queretaro - the Santander Technology and Operations Center (CTOS for its Spanish acronym), the Santander Contact Center (CCS for its Spanish acronym) and the Data Processing Center (CTOSII) – became ISO 14001:2015 certified.

Environmental Management System

We now have a robust Environmental Management System (SGA for its Spanish acronym) that focuses on the efficient and sustainable use of natural resources through monitoring and controlling energy, water and paper use and savings, as well as the treatment and disposal of the waste and emissions we generate.

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.

Our Environmental Management System (SGA) is validated by numerous certifications and audits. On August 10, 2018, Santander Mexico's corporate building completed the internationally-recognized ISO 14001: 2015 recertification process, which we have had since 2004. This certification is granted by the Spanish Association for Standardization and Certification (AENOR for its Spanish acronym), and it guarantees strict compliance with this standard, in addition to recognizing the Bank's Environmental Management System (SGA). In 2018, our buildings in Queretaro - CTOS, Data Center II and Contact Center – also received this certification.

Efficient Operations

Given the measures we have implemented to protect the environment, we are now a benchmark within the sector as a result of our role as a responsible company that is committed to sustainability.

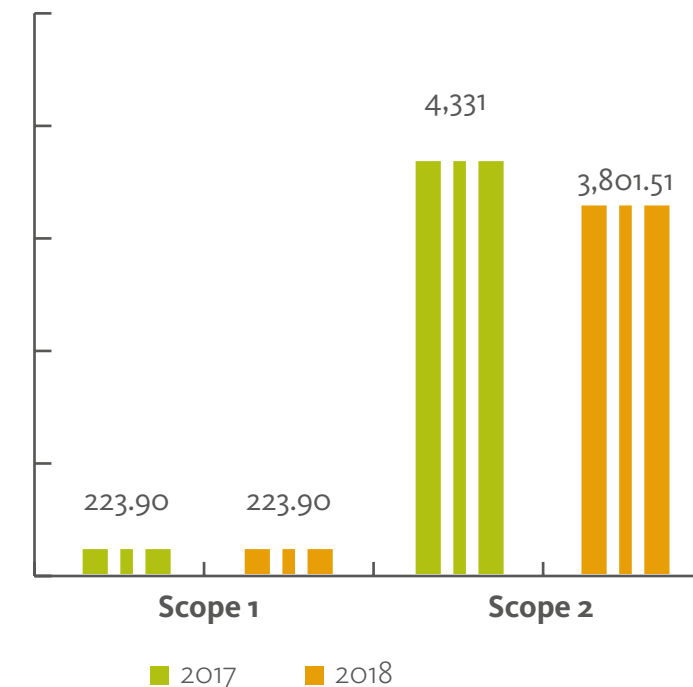
Emissions

(102-48, 103-2, 103-3, 305-1, 305-2)

Greenhouse Gas (GHG) emissions are a major contributor to global warming, which is why we strive to optimize our operations to help decrease the GHG emissions we produce as a result of our day-to-day activities.



Santa Fe Headquarters Emissions (ton CO₂e)



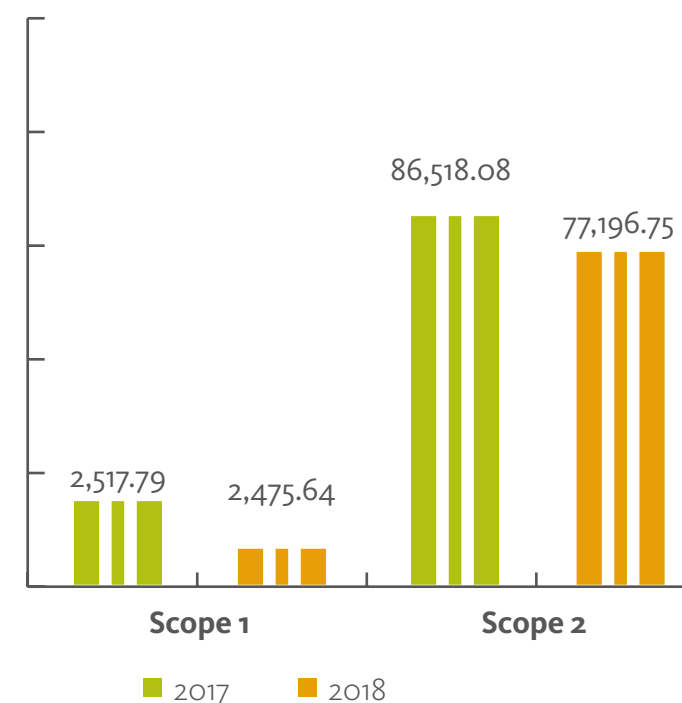
This year, our emissions for Scope 1 and 2 were 79,672.40 tons of CO₂e, compared to the 89,035.87 tons of CO₂e reported last year, decreasing 10.51 % of our emissions.

Emissions	Santander Mexico	Santa Fe Headquarters
Direct Emissions (Scope 1 ¹⁷)	2,475.64 ton CO ₂ e	223.90 ton CO ₂ e
Indirect Emissions (Scope 2 ¹⁸)	77,196.75 ton CO ₂ e	3,801.51 ton CO ₂ e
Total	79,672.40 ton CO₂e	4,025.41 ton CO₂e

¹⁷ This emissions include those stemming from direct energy consumption (natural gas, LP gas, gasoline and diesel) and correspond to Scope 1, as defined by the GHG Protocol. To calculate these emissions, the calorific value published by CONUEE (https://www.gob.mx/cms/uploads/attachment/file/428334/Lista_de_combustibles_2019.pdf), as the Global Warming Potentials have been used (http://dof.gob.mx/nota_detalle.php?codigo=5404077&fecha=14/08/2015 and http://www.semarnat.gob.mx/sites/default/files/documentos/cicc/acuerdo_que_establece_las_particularidades_tecnicas_y_las_formulas_para_la_aplicacion_de_metodologias.pdf). The gases included in this calculation are CO₂, CH₄ and N₂O. The calculation is based on emissions for the preceding year 2017-base line (2,517.79 ton CO₂e). No significant changes have been made to estimation methods. Operational control is the approach that has been used to consolidate GHG emissions. Given the nature of Santander's business model, there are no biogenic CO₂ emissions.

¹⁸ 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 Federal Electricity Commission was applied (0.527 tons of CO₂ / MWh) for 2018, as published by the CRE (https://www.gob.mx/cms/uploads/attachment/file/442910/Aviso_Factor_de_Emisiones_2018.pdf). The gas included in this calculation is CO₂. The calculation is based on emissions (86,518.08 tons of CO₂e) for the preceding year (2017-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.

Santander Mexico Emissions (ton CO₂e)



Consumption

Energy Consumption

To be more energy efficient, we have implemented a range of tools to measure and identify areas in which our energy consumption is highest and take the steps necessary to rectify this situation.



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

(103-2, 103-3, 302-1)

(302-1)

Energy Index Design

We created an index based on the parametrization and regionalization of electricity consumption at our branches to determine which of them are major energy consumers, and thus implement specific measures to help drive greater efficiency. This index measures annual energy consumption per unit of usable area (kWh per year / useable m²) of each branch, generating energy performance curves and consumption trends and opportunely identifying any deviations.

In 2018

We decreased energy consumption by 1.5% vs. 2017, the equivalent of lighting 1,315 Mexican households for a year, as a result of implementing energy efficiency measures.



Use of Clean Energies at Branches

In 2018, we negotiated the installation of 540 charging points to cover 30% of the Bank's energy consumption, prioritizing renewable energy sources. During 2019, the evaluation for sites, planning, and installation of the infrastructure necessary to transport the energy will begin, and we expect to see the first financial benefits and emission reductions from 2020 onwards.

- Energy assigned for renewable generation: 41,450,000 kWh.
- Savings calculated based on discounted rates: \$13,196,009.88

Diagnostics at Branches with High Energy Consumption

In 2018, we implemented a diagnostic process encompassing the ten branches with the highest energy consumption last year, the goal of which is to propose measures to decrease energy consumption. These measures then undergo a cost-benefit analysis to determine their feasibility.



These alternatives help identify the equipment or practices that consume the most electricity at certain branches, helping creating proposals to ensure energy consumption is within the parameters set for each region.

Pilot Program for the Branch Energy Control and Monitoring System

We designed a platform to accurately monitor energy and water consumption at new branches or on refurbishment projects, automatically control times and temperatures, remotely program parameters, implement technological innovations (energy management, deviation alerts, user faculties based on levels, etc.), and protect electrical phases.

In 2018, we coordinated two pilot programs, and the results have been satisfactory given that estimated savings in electricity consumption at both sites total around 10,000 kWh. We will soon be launching three more pilot programs, the data from which will help us to analyze the possibility of implementing this program on a large scale.

Use of Alternative Energies at Branches

The energy we use from alternative sources currently represents 47% of the Institution's energy consumption, thanks to the agreement we have with the co-generation plant located in the state of Puebla.

- Clean energy from efficient co-generation: 68,609,326 kWh/hr.

Source ¹⁹	Consumption in MJ
Electricity Consumption	527,340,233
Gas (natural gas, LP gas)	9,426,089
Fuels (diesel and gasoline)	26,348,392



Our

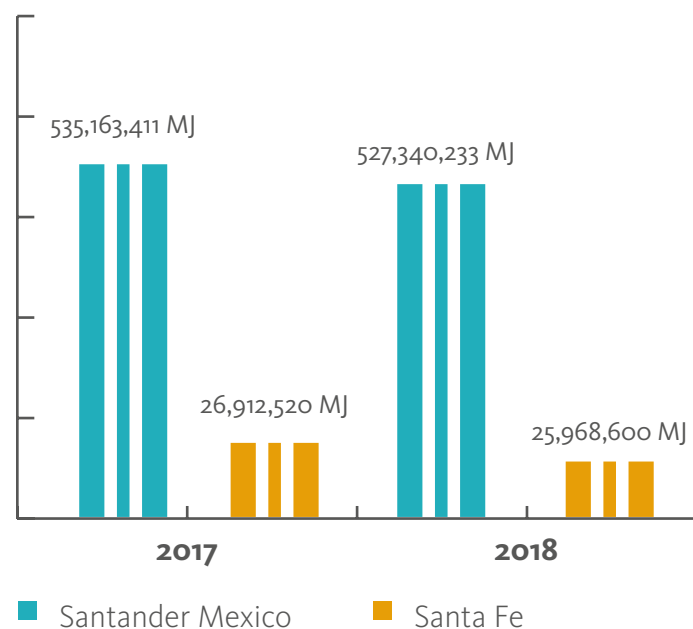
total energy consumption in 2018 was
563,114,714 MJ.

¹⁹ Natural gas, LP gas, diesel, gasolina and electric energy consumption were determined from the service bills and were converted to MJ using the calorific values published by CONUEE in https://www.gob.mx/cms/uploads/attachment/file/428334/Lista_de_combustibles_2019.pdf.

(301-1)

(303-1)

Electrical Energy Consumption



Water Consumption

(303-1, 103-2, 103-3)



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.

To ensure a sustainable future, we must focus on water use. Part of our internal environmental campaigns centered around water saving measures and their effectiveness, which can be clearly seen in the savings generated in 2018.

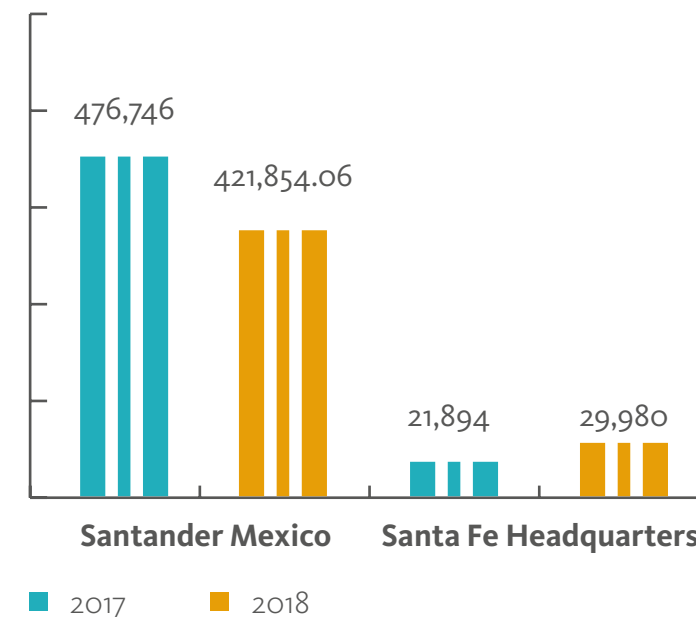
This year, despite increases to our operations, our total water use was 421,854.06 m³, compared to 476,746 m³ last year.

As part of our total consumption, we used 420,798.06 m³ of municipally-sourced water, while 1,056.00 m³, used in the Santa Fe headquarters, from treated-water sources.

In 2018 we reduced our water consumption by 11.5%, the equivalent of the water consumed by 396 Mexicans in a year.



Water Consumption (m³)²⁰



Paper Use

(301-1, 103-2, 103-3)



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.

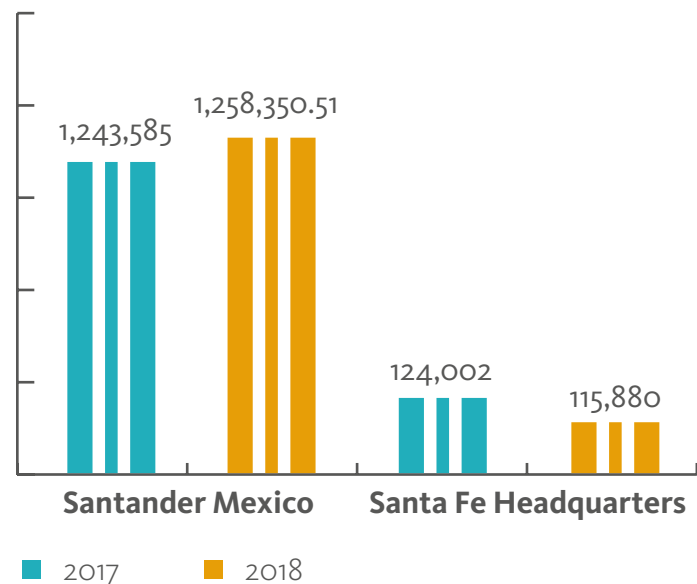
Although the use of paper is a fundamental part of our operations, we strive to procure it sustainably and use it efficiently. We also have paperless campaigns, the goal of which is to reduce our use of paper.

Paper Use by Type (kg)	Santander Mexico Total	Santa Fe Headquarters Total
Certified Paper	905,140.35	32,527
Recycled Paper	353,209.16	83,353
Total kg	1,258,349.51	115,880

²⁰ Consumption in branches is an estimate based on an average obtained from a representative sample of the same.

(301-1)

Paper Use (Kg)



72%
of the paper we use come from sustainable forests.



28%
of our paper is recycled.



Waste Management
(103-2, 103-3)

In addition to complying with environmental regulations, at Santander we now separate all waste directly from the source, helping decrease disposal in landfills. We also coordinate awareness campaigns to help highlight the importance of separating waste.

Waste (kg)	Santander Mexico Total	Santa Fe Headquarters Total
Packaging, Plastics and Cans	84,397.73	8,972.21
Glass	20,349.03	2,164.30
Paper and Cardboard	163,703.65	17,407.64
Total kg	268,450.41	28,543.15

We have **22 recycling** stations at our Santa Fe headquarters, and we will continue installing more stations.

Santander Mexico Waste²¹



- Packaging, Plastics and Cans: **31.4%**
- Glass: **7.6%**
- Paper and Cardboard: **61.0%**

²¹ All waste generated at Santander Mexico is classified as non-hazardous.

Suppliers
(102-9, 103-2, 103-3)

The members of our value chain are important allies in meeting our sustainability and responsible banking goals. We strive to ensure our suppliers comply with our ethical, legal, social, environmental and economic criteria.

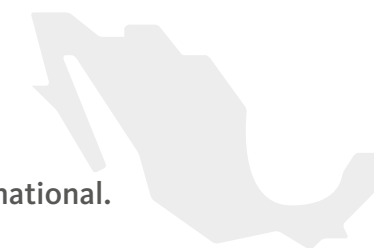
In 2018, we worked with 3,825 suppliers who offered services valued at MXN \$24,305,647,488.16. These services included employee benefits and taxes, among other third-party payments, which are not included in the supply chain.

We established

Environmental Requirements in our service contracts to create an environmentally responsible regulatory framework for our value chain.



97%
of our suppliers are national.

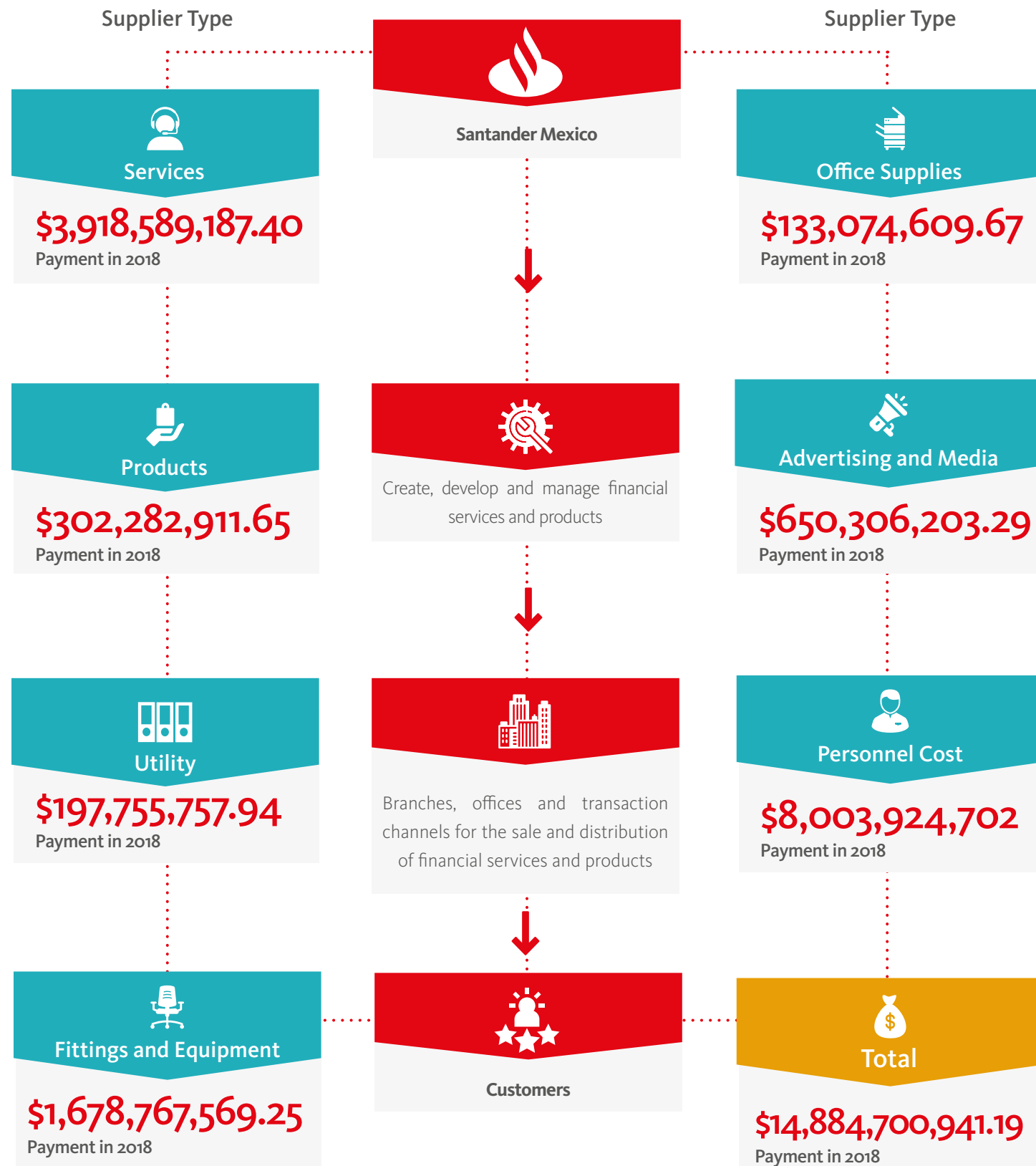


(102-9)

(103-2, 103-3, 412-3, 102-9)

Value Chain Structure

Figures in MXN



We have incorporated a Social Responsibility Protocol in the contracts we have with our suppliers. It represents a commitment to the basic principles of combatting corruption, ensuring fair labor practices, protecting the environment, and safeguarding human rights. The whole 100% of contracts and agreements formalized through Aquanima include our Social Responsibility Protocol.

The requirements stipulated in Santander's Environmental Policy for suppliers include process control, personnel training according to the Environmental Management System (SGA) and the order and cleanliness aspects, establishing maintenance requirements. Under these entries, the supplier is responsible to provide evidence to support all the elements reported in the Environmental Management System (SGA).

As additional information, 26% of our standardized suppliers carry out corporate social responsibility actions in their company, and around 6% have even obtained recognitions in this subject matter.

The Integrated Expense Management department is tasked with defining, monitoring and evaluating all third-party payment and procurement processes with the support of Aquanima, the Bank's procurement hub.

The Local Supplier Committee identifies the risks associated with the outsourcing or provision of services during the contractual period with suppliers.

Social and Environmental Requirements

In 2018, we included social and environmental requirements in the contracts and agreements signed by our suppliers to help ensure greater efficiency in the use of resources and materials, as well as to improve processes, mitigate environmental impacts, and train employees in these areas. This has helped us improve the sustainability of everyone involved in the supply chain.

100% of the contracts formalized through Aquanima include the corporate social responsibility protocol*.

Sustainable Financing and ESG ²² Risk Assessment

Through inclusive and sustainable urbanization, we can ensure that everyone has access to basic services and housing. Our financial nature has enabled us to forge economic and social partnerships that help drive inclusive development in the country. We offer loans to finance large-scale projects based on a sustainable economic, ethical, social and environmental approach.

²² Social, Environmental and Corporate Governance
* In 2018, 280 contracts were formalized through Aquanima.

To support this commitment, we have created measures to analyze social and environmental risks in financial projects in which we contribute more than MXN \$32 billion, in strict compliance with the Equator Principles that Santander Spain adheres to.

Assessment of Social and Environmental Risks



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, all countries taking action in accordance with their respective capabilities.



In 2018

six projects were financed in accordance with the Equator Principles totaling approximately MXN \$32,548,000,000.

Santander Mexico's Social and Environmental Policy specifies that any project over USD \$10 million must comply with the Equator Principles, the agreement among global financial institutions that governs the financing of projects through a responsible, ethical and transparent approach that also encompasses social and environmental awareness. This policy was approved by the Board of Directors for its application in Mexico as of May 2016.

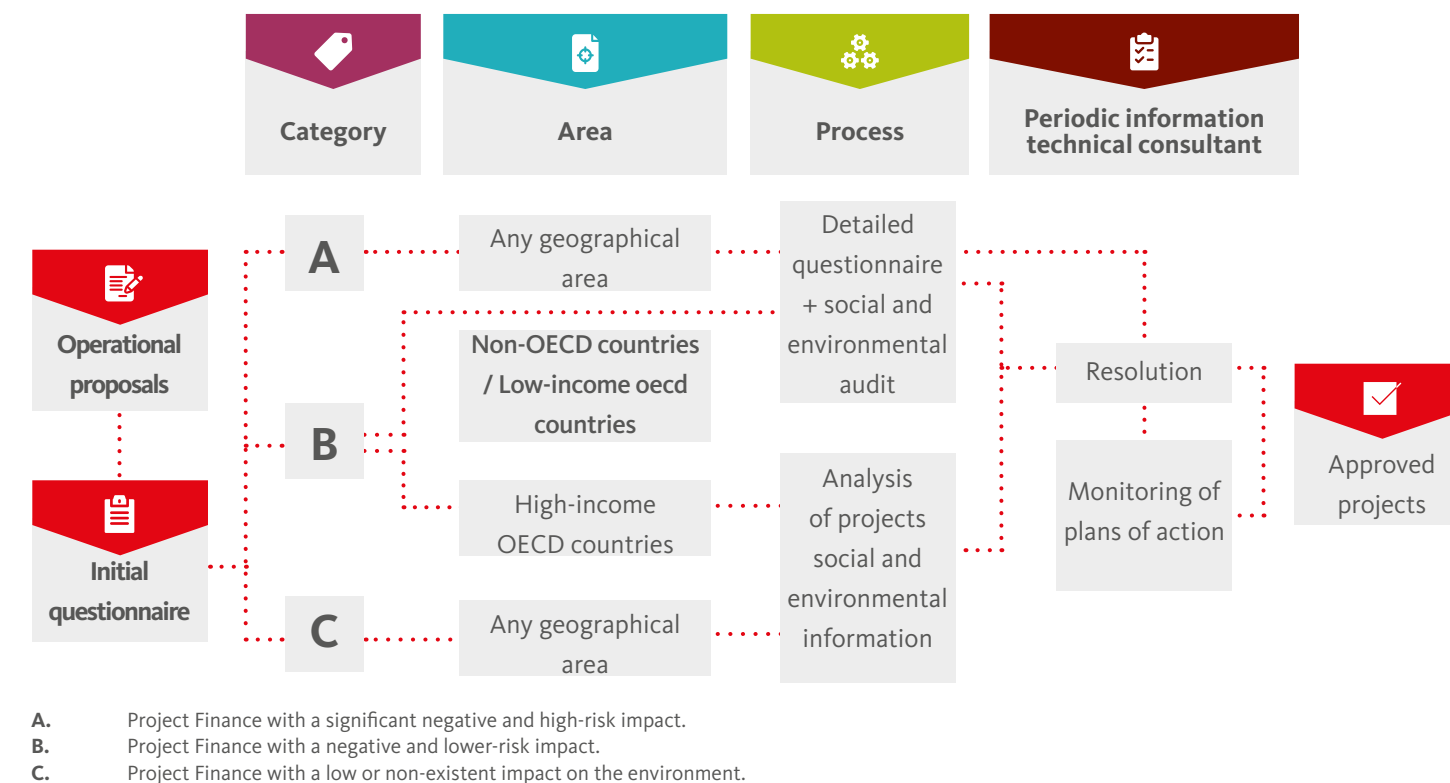
The Project Finance department is tasked with undertaking the necessary financial and commercial analysis, which is complemented by a detailed socio-environmental study from an external consultant. This study is based on the Environmental and Social Questionnaire (ESQCorporativo), and it ensures that we act responsibly in our dealings with those stakeholders involved in the projects we finance.

*To learn more about the Equator Principles, please click here.



The authorization of any financing project is dependent on the steps outlined below:

Social and environmental risk assessment procedure based on the Equator Principles for projects over USD \$10,000,000.



The financial products that are subject to the Equator Principles are:

Project Finance Consultancy

Services, when the total capital costs of the project are equal to or exceed USD \$10 million.

Project Finance

When the total capital costs of the project are equal to or exceed USD \$10 million.

Corporate Loans

Linked to Projects (including Export Financing in the form of Buyer Credits), when the following four criteria are met:

- The majority of the loan is linked to a project over which the customer has effective operational control (directly or indirectly).
- The total loan amount is at least USD \$10 million.
- The individual commitment with the EPFI (Equator Principles Financial Institution), prior to syndication or resale, is at least USD \$50 million.
- The loan period is at least 2 years.

Bridge Loans

With a payment period of less than 2 years to be refinanced through Project Finance or a Corporate Loan linked to Projects which will, foreseeably, meet the relevant criteria.

Our Santander Corporate and Investment Banking (SCIB) area, and specifically the Project Finance department, is tasked with coordinating all environmental due diligence with the Bank's consultants, in addition to drafting questionnaires to measure the social and environmental risks inherent to each project. This is needed to control and register possible risks linked to infrastructure development and energy projects, sectors that are fundamental in driving economic development in the country.



We participated in the financing of five social infrastructure projects, including: social rehabilitation centers (CERESO for its Spanish acronym), highways, and residential towers; we also took part in one environmental project. For example, we financed 2 federal social rehabilitation centers, one in Chiapas housing 2,520 male inmates, and another in Morelos, housing 2,528 female inmates, providing accommodation for 288 of their young children.

Our environmental financing focused on a 404-MWp solar farm in Sonora, which will encompass a powerful renewable network of 1,222,800 polycrystalline silicon solar panels, programmed to follow the path of the sun from sunrise to sunset. Positioned in a straight line, these structures – a total of 20,380, each measuring 59.46 meters long – will cover 1,212 kilometers, a similar distance from Mexico City to Houston.

The projects we finance through Project Finance have insurance policies covering fires, hydrometeorological phenomena, tremors and earthquakes.

We granted

a subordinated loan for the Puerto Libertad solar farm, which will be one of the largest in Latin America, with a combined capacity of up to 317.5 MW, the equivalent of providing clean energy to power 583,000 homes in Mexico.

The World Fund *Educando* Program

The Santander Corporate and Investment Banking (SCIB) department welcomed 200 high-school students from Colegio de Bachilleres Plantel 8 in Cuajimalpa to its corporate offices, motivating them to continue into higher education through motivational talks and first-hand experience of the work done by employees.



Supporting Higher Education in Mexico



(103-2, 103-3)

We promote education as a catalyst for development and the foundation for healthy social interaction. At Santander, we are proud to call ourselves a long-term student partner in Mexico.



4.3 by 2030 ensure equal access for all women and men to affordable quality technical, vocational and tertiary education, including university

6,040 scholarships for domestic, international and academic mobility and entrepreneurship in 2018.

Santander Universidades and Universia

We firmly believe that higher education plays a fundamental role in the knowledge society and contributes to a country's economic and social development. Through Santander Universities and Universia we have been working over the past 16 years with the most important higher education institutions in the country to help drive scientific and technological advances for universities and their communities.



MXN \$108,228,100 invested in the Higher Education Plan (PAES).

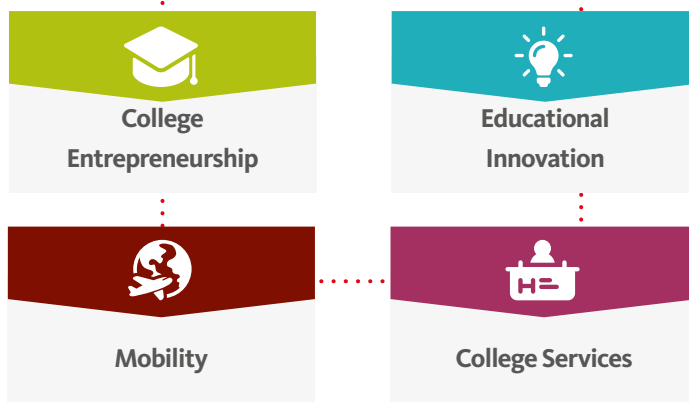


A one-of-a-kind area that specializes in supporting universities through a value proposal that includes scholarships, chairs, collaborative projects and the creation of financial products and services for universities and college students.



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.**

The comprehensive Santander Universities and Universia model encompasses four areas of action:



1. College Entrepreneurship

We support college projects and programs that drive innovation, internationalization, collaboration and academic research.

Santander Scholarships for High-Impact Entrepreneurs - TREPCAMP

An intensive training program for entrepreneurs at major innovation centers in the USA, including New York, Silicon Valley, Boston and San Diego, as well as in other cities, such as London and Mexico City.

Through Santander Universities, we coordinate the **Credencial Universitaria** (College ID) program. We visited the Popular Autonomous University of the State of Puebla (UPAEP for its Spanish acronym) and the Autonomous University of Sinaloa to deliver these college ID's, offering students access to the benefits this card offers, in addition to their first savings account.

Through Santander Universities and Universia, we support the **National Technological Innovation Award for Social Inclusion (INNOVATIS for its Spanish acronym)**, presented by the National Science and Technology Council (CONACYT for its Spanish acronym), through its Director, Dr. Enrique Cabrero Mendoza. This award recognizes projects that support social development in Mexico through science, technology and innovation.



2. Educational Innovation

CASE

From July 15 to 17, New York hosted the Council for Advancement and Support of Education (CASE) summit, during which 21 leaders from Mexican universities took part in numerous panels.

ACE

A group of 24 university presidents from Mexico attended the American Council on Education (ACE) annual meeting, one of the leading events for higher education in the United States.

CIC

During the annual meeting of the Council of Independent Colleges (CIC), 13 university presidents from Mexico took part.

3. Mobility

The third area in which we contribute to higher education focuses on domestic and international student mobility. At Santander, we have an extensive scholarship program, which offers students access to the best education options through programs, such as:

Santander Domestic Mobility Scholarships

This program offers undergraduate and postgraduate students the opportunity to take part in a 6-month academic exchange to a public or private university.

In 95% of the cases, this is the first time that students have studied outside their home states.

Santander Common Space for Higher Education (ECOES) Scholarships

This program is aimed at undergraduate and postgraduate students from federal or state public universities who want to study in other states in Mexico or other countries in Ibero-America.

Scholarships for Young Researchers and Faculty

This academic mobility program encompassing universities and research centers in Ibero-America offers young people the opportunity to contribute to the development of science in the region and help promote a positive social and economic impact.

Santander Scholarships - CONACYT - (National Council of Science and Technology) OEI (Organization of Ibero-American States)

This program focuses on driving the scientific and technological capacity of the region, promoting a positive social impact through science and scholarships for Ph.D., Master's degree and specialization degree students.

Talentum Universidad

This program is aimed at students from public universities and focuses on problem-solving. It focuses on creating a project that has a positive impact on the region and is undertaken in conjunction with the Interdisciplinary Program for Educational Practices and Policy (PIPE) coordinated by CIDE.

Almost 80% of the participants are students from public universities, low-income communities and some of the least industrialized regions in the country.

Santander Leaders in Development - FUNED

This program offers training to outstanding students from public universities and low-income families to help them apply for postgraduate programs at some of the best universities in the world. Upon completing the course, the Mexican Foundation for Education, Technology and Science (FUNED) provides financial support to pay the tuition for their Master's degree.

SEP (Ministry of Public Education) - Bécalos Santander Scholarships

This program offers low-income students from technological universities the opportunity to take part in a six-month exchange program to community colleges in the USA.

Santander UDACITY Scholarships

An academic training program to provide specialized skills for Artificial Intelligence, Data Analysis and Machine Learning.



We also offered the following scholarships:

- Santander Ibero-America Undergraduate Scholarships.
- Santander Ibero-America Youth Scholarships.
- Santander FIMPES (Mexican Federation of Private Institutions of Higher Education) Research and Postgraduate Scholarships
- 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 Santander Bank employees.

4. College Services (Employment, Training and Marketing)

Through this area, we support universities, helping them offer a range of services to their students, faculty and their community in general. We focus on three main areas: Employment, Training and Marketing. We promote employment through professional practices, consultancy services and intermediation to help them find their first job. We also offer access to training through platforms and seminars, and we use marketing tools to promote universities through virtual fairs, collaborative networks and segmented information.

One of these academic projects is REDIB (the Ibero-American Network for Innovation and Scientific Knowledge), a digital platform for scientific and academic content produced in Ibero-America.

We use patented technological tools from the new digital transformation, such as SAAE's (Student and Alumni Management Software), to identify high-potential young people to help drive their professional training and integrate them into a number of business areas.

Through professional courses and practices, we help universities immerse themselves in operating investment funds through a number of areas within Santander Asset Management. We also allocate funds through Santander Universities scholarships for internship programs at SME's.



22,656 jobs

brokered through the Job Exchange Platform to the end of 2018.

Communities



(103-2, 103-3)

Solidarity with our communities is of vital importance in promoting social development, which is why we coordinate a range of social investment programs with mid- and long-term impacts. We also support extraordinary organizations who strive every single day to create a better world.



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b. 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.

Contributions to the Sustainable Development Goals (SDGs)

1. No Poverty

2,424 people supported.



2. Zero Hunger

10,078 people supported.



3. Health and Wellbeing

6,837 people supported.



4. Quality Education

12,067 people supported.



5. Life on land

3,848 people supported.



The number of beneficiaries are categorized in the following programs:

1. Donation to *Fundación Quiera*, Donation to *Funfai*, Volunteering at *Yolia – Risks*, Volunteering at *Funfai Raffle – Risks*, Volunteering *ABM - Fundación Quiera*, *Dona una Juguete Regala una Sonrisa* and *Tuiio por la Comunidad*.
2. *Fideicomiso Por los Niños de México*, *Cáritas San Marón*, Food Bank Volunteering – *Somos Santander Week*, Volunteering at *Fundación Hogar Dulce Hogar – Risks*, Volunteer Visitors to the *Federico Gómez de Riesgos Hospital*, Volunteer Visitors to the *Toluca Children's Hospital – Risks*, and *Casa Hogar y Futuro A.C.*
3. *Fideicomiso Por los Niños de México*, ATM Fundraising – *Casa de la Amistad*, *Cáritas San Maron Puebla*, Donation to *Gran Fondo Adolfo Lagos – Kardias*, and Volunteering with *Fundación Moviendo Causas – Risks*.
4. *Fideicomiso Por los Niños de México*, ATM Fundraising – UNICEF, ATM Fundraising – *Bécalos* and *Capital Semilla*, and School Supplies Drive - Contact Center.
5. ATM Fundraising – *Reforestamos México*.

Fideicomiso por los Niños de México

Just like every year, the Bank and its employees supported this program, a trust fund aimed at supporting children from socially and financially vulnerable groups through the financing of civil society organizations and projects that seek to improve education, health and nutrition.

In 2018, 11,133 employees joined forces with *Fideicomiso Por los Niños de México* to tackle the major problems facing children from vulnerable backgrounds.



Fideicomiso por los Niños de México Results by Region

Metropolitan

8,805 Children benefitted
26 Organizations supported
MXN **\$3,671,000** Amount donated

Central

2,586 Children benefitted
12 Organizations supported
MXN **\$1,459,000** Amount donated

North East

798 Children benefitted
3 Organizations supported
MXN **\$430,000** Amount donated



Northern

4,523 Children benefitted
10 Organizations supported
MXN **\$2,016,000** Amount donated

Southern

642 Children benefitted
3 Organizations supported
MXN **\$400,000** Amount donated

Western

79 Children benefitted
1 Organization supported
MXN **\$100,000** Amount donated

South East

758 Children benefitted
7 Organizations supported
MXN **\$1,160,000** Amount donated



MXN \$9,236,000
donated to *Fideicomiso Por los Niños de México*.

18,191

boys and girls benefitted in 2018.



In 2018

we worked with 62 organizations.



62 employees

were guardians for organizations that form part of *Fideicomiso Por los Niños de México*.

Thanks to these efforts, in 2018 we achieved the following results

Health

10,326

children benefitted.

24

programs.

MXN \$3,671,000

amount donated.

Education

4,998

children benefitted.

27

programs.

MXN \$3,781,000

amount donated.

Nutrition

2,867

children benefitted.

11

programs.

MXN \$1,784,000

amount donated.



UNICEF Mexico / Giacomo Pirozzi

Total



18,191

children benefitted.



62

programs.



MXN \$9,236,000

amount donated.

Of the 18,191 children benefitted, we achieved significant results that helped drive improvements in health, education and nutrition for children living in Mexico:

2018 Results



1,793

boys and girls achieved optimal nutrition levels.



3,383

teenagers and young people graduated from technical colleges and high-schools.



23

boys and girls received kidney transplants.



18

boys and girls had ophthalmological surgery.



300

boys and girls had access to dental services.



127

girls and boys with autism increased their muscle tone.



5,312

girls, boys and teenagers improved their emotional health.



5,656

girls and boys improved their reading, writing and math skills.

We have also forged the following partnerships to help increase the scope of the work being done by *Fideicomiso Por los Niños de México*:

- 1. Fundación Merced:** We worked to learn more about the impact that the consolidation process within organizations has had, in addition to evaluating the service offered.
- 2. CLARES²³:** We worked to help civil society organizations financed by this trust to ensure they have the methodological tools they need to evaluate the impact of the financing they receive.
- 3. ENTS_UNAM²⁴:** We developed intervention and analysis measures for the trust's Social Responsibility measures, monitoring and supervising 62 projects that received support. In 2018, 12 interns took part in a program through the *Fideicomiso por los Niños de México*.
- 4. Fundación Quiera:** We helped staff from the institutions by providing them with emotional containment processes to help reduce burnout and improve the emotional health of the children they help.

²³ Centro Latinoamericano de Responsabilidad Social.

²⁴ Escuela Nacional de Trabajo Social from Universidad Nacional Autónoma de México.



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Sustainable Partners

At Santander, we identify and select organizations that share our vision of progress, channeling the trust our customers and users have placed in us to help drive social development.

For more than 15 years, we have used our ATM network to receive donations from customers and users who want to support a range of social and environmental causes.



We have been a part of this program, coordinated by the Mexican Association of Banks (ABM) and *Fundación Televisa*, for 13 years, helping outstanding students from low-income families to continue their studies, promote educational equality, and contribute to teacher training.

In 2018, we donated **MXN \$13,236,948** and **MXN \$4,455,788** in seed capital to promote scholarships for further and higher education, academic excellence, technical programs, and training programs for teachers and directors, benefitting **3,283 young people**.



This private trust was created to offer low-income families in Mexico, who live in unsafe or overcrowded conditions, their own house. In 2018, we raised **MXN \$5,534,163**.



During the 2018 campaign, we raised **MXN \$5,040,285** for this association, which offers children with cancer access to comprehensive treatment and free medicines, benefitting **679 boys and girls**.



We presented this organization, which works to defend children's rights, especially their right to education, with donations totaling **MXN \$3,998,439** through an ATM fundraising program, benefitting **2,609 boys, girls and professors**.



In 2018, we donated **MXN \$3,647,042** to this trust, which aims to create more and better forests to promote sustainable development in our country, benefitting **3,848 people** from numerous communities.



10,419

people benefitted from the **MXN \$31,456,877** we raised through our ATM's.



Donations

In 2018, we supported numerous social causes through monetary and in-kind donations, including the following:

Donation to *Fundación Familiar Infantil I.A.P. (FUNFAI)*

We supported 42 people by donating a 180-piece tableware set.

Donation to *Casa Central de Cáritas Puebla*

We donated 90 kits containing uniforms for the elderly. We also donated MXN \$75,000.00 to the humanitarian efforts this organization coordinates throughout the year.

Donation to the Mexican Red Cross

We donated MXN \$50,000.00 as part of the 2018 National Fundraising Drive.

Donation to *Fundación Quiera*

Our annual contribution was a donation of MXN \$2,613,623 to support children and young people living on the street. We helped a total of 1,677 at-risk children and young people.

Donation to *Gran Fondo-Adolfo Lagos*

We donated MXN \$90,000 to the Izzi-Kardias cycling race, the goal of which is to offer access to surgical treatment and psychological support to children from low-income families suffering from heart disease. In 2018, 75 employees and family members took part, reaching a total of 7,300 kilometers.

Corporate Volunteering

Our employees have played a key role in consolidating our culture of solidarity, helping us find partnerships that benefit our society.



Thanks to their initiative, generosity and drive, in 2018 we achieved the following results²⁵:



22,421
people benefitted.



11,468
volunteers.



6,771
volunteering hours.

Food Bank - Santander Week

We benefitted 3,192 people through food donated by the Bank's employees. These in-kind donations were distributed among 22 civil society organizations. We collected 27,343.42 kilograms of basic food items.

2018 School Supply Drive: *Vamos por 100 y Anótate un 10*

We organized a school supply drive with employees from the Contact Center, benefitting three institutions: *APAC Querétaro I.A.P.*, *Proyecto de VIDA I.A.P.* and *Casa Santa María del Mexicano I.A.P.* We donated 111 kits containing basic supplies for elementary and middle-school students.

²⁵ These volunteering figures correspond to the following programs: *Fideicomiso por los Niños de México*, volunteering during Somos Santander week, volunteering programs coordinated by the Risk area, *ABM-Fundación Quiera* volunteering, donation of schools supplies by the Contact Center, volunteering at the Food Bank - *Somos Santander* week, volunteering with *Tuiio por la Comunidad* and *Dona un Juguete, Regala una Sonrisa*.

Volunteering *Fundación Quiera* - ABM

We implemented a volunteering program in which 31 Santander volunteers worked at *Internado Infantil Guadalupano A.C.*, benefitting 130 children through building maintenance and cleaning activities.

Volunteering DGA Finance - Tuiio

The Joint Financial Inclusion and Tuiio team organized a volunteering day, in which 69 employees took part. Paint and other materials were bought to refurbish a school at the Ocuilán community center, located in the State of Mexico, benefitting 237 students.

Volunteering *Yolia Niñas de la Calle* – Risk and Individual

Employees from the Risk and Individual departments took part in a fundraiser to collect shoes and clothes that were donated to 50 girls from *Yolia Niñas de la Calle*.

Volunteering FUNFAI – Risk Innovation and Infrastructure

Thanks to the participation of employees from this area, money was raised through a raffle and used to buy winter clothes, gifts and a cash donation for 37 beneficiaries from *Fundación Familiar Infantil* (FUNFAI).

Risk control and supervision

Through the participation of volunteer employees from this area, we coordinated the following activities:

- Donation of breakfasts and blankets to child patients at the Federico Gómez Hospital. 56 family members were benefitted.
- Donation of 60 breakfasts to the families of child patients at the Legaria Pediatric Hospital.
- Donation of 55 breakfasts and 20 blankets to families of child patients at the Toluca Children's Hospital.
- Painting, games and a piñata for 30 children from *Fundación Hogar Dulce Hogar*, who were also given sweatpants and a food package (tuna, cereal, beans, sugar, rice, etc.).
- Donation of MXN \$10,000.00 to *Fundación Moviendo Causas* to help a child who lost an arm and a leg in an accident.



2018 Risk Pro Charity DGA Risk Auction

The Risk Control and Supervision management team coordinated an auction to support *Fideicomiso por los Niños de México*. The articles were donated through the DGA Risk department and our business partners. The total amount of money raised was MXN \$106,270 pesos.

Humanitarian Aid

To follow up on the humanitarian aid efforts implemented as a result of the natural disasters that struck Mexico in 2017, we have collaborated with customers and organizations to continue offering support to those affected.

Reforestamos México

The ATM fundraising campaign in 2017 raised a total of **MXN \$2,823,870**. In 2018, these funds were used for the complete reconstruction of **10 houses** and **repair actions in another 23** (structural and minor); besides the rehabilitation of **nine school classrooms**.

Fideicomiso Provivah

The funds raised in 2017, to which the bank donated **one peso for every peso raised (1X1)**, totaled **MXN \$28,838,735**.

In 2018, housing reconstruction actions were carried out in Tlaxcala, Oaxaca, Chiapas, Mexico City and Morelos with a total of more than **500 homes** built. In 2019 we continue working on this reconstruction project.





OUR

Report

- ✓ Reporting Process
- ✓ Materiality
- ✓ GRI Content Index
- ✓ Verification Letter

Reporting

Process

(102-50, 102-52)

(102-49, 102-51, 102-53, 102-54, 102-56)

The Sustainability Report 2018 presents, for the eighth consecutive year, the initiatives and results that as responsible banking we carry out in economic, social and environmental matters in the period from January 1 to December 31, 2018.



The data reported were defined by the importance for the operations of Banco Santander México, S.A., Multiple Banking Institution, Grupo Financiero Santander Mexico and for our main stakeholders in the materiality study that is detailed below.

"This report has been prepared in accordance with the GRI Standards: Core option"; complying with the Reporting Principles related to its content and quality. In this document we follow up on what was reported in the previous report published in April 17th, 2018. The Materiality Study update did not entail a significant change from previous reporting periods, nor in the list of material topics and topic Boundaries.

The transparency and confidence of our Sustainability Report are supported by the external verification process by PwC, which in turn audits Santander Mexico's financial statements and validates the figures reported to Santander Spain for the corporate report.

The area in charge of requesting verification is the Directorate of Public Relations, Internal Communication and Sustainability, whose Deputy Director General of Studies, Strategy, Public Affairs and Chief of Staff of the Presidency is Rodrigo Brand de Lara; it also belongs to the Integral Risk Management Committee.

For more information about the report or related to sustainability, you can contact us at:

 responsabilidadsocial@santander.com.mx

 <https://servicios.santander.com.mx/comprometidos>

Materiality

(102-42, 102-44, 102-46, 103-1, 103-2, 103-3)

(102-42, 102-44, 102-46)

In 2018 we conducted a materiality study with the objective of defining the most relevant aspects for Santander Mexico from the economic, social, environmental and ethical perspective.



Based on the GRI methodology, the process we carried out was as follows:

The study was carried out through:

Identify

the issues to be communicated from the economic, social, environmental and ethical perspective.

Prioritize

the relevant issues identified in the first phase, in order to determine which materials are.

Validate

with the committee and / or sustainability team the results of the previous stages.

Review

the aspects that we are considering as materials for the preparation of the Sustainability Report.

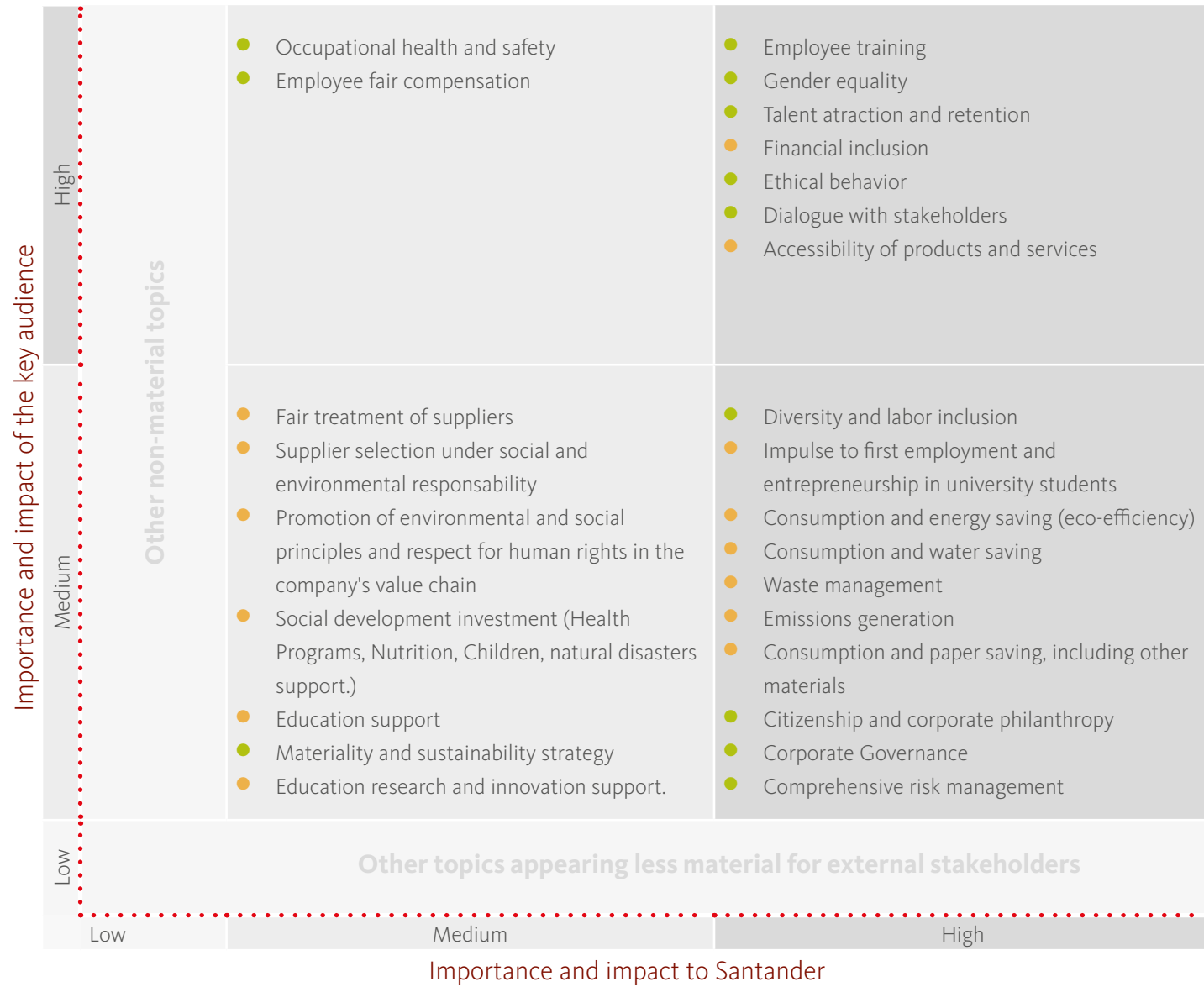
- **1,562** external and internal news clippings.
- **Alignment** to the Sustainable IPC and DJSI.
- **Review** of the Sustainability Report Spain 2017.
- **36** surveys to social organizations.
- **Two** evaluations of results of Santander programs.
- **Two** Corporate Surveys.
- Compendium of **four** communication channels with customers and employees.

Twenty-six issues were identified that were prioritized based on the sources of information and the opinion of different interest groups, being above the average of mentions for each source.

(102-44, 102-46, 102-47, 103-2, 103-3)

(102-44, 102-47)

Materiality Matrix



Management Approach to Material Issues

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Corporate governance and business strategy	Corporate governance	102-18, 102-22	It is extremely important for our sustainability to maintain a culture of transparency and accountability. We promote and protect our business values, with which we consolidate a culture of respect and justice, we also execute and monitor our alignment with the legal precepts and the interests of our relationship groups.	The Board of Directors and its different Committees exercise their powers to review, authorize and follow the guidelines that maintain the ethical and transparency bases in our operations. In this way, we guarantee the optimal management of resources to preserve the confidence of our stakeholders.
	Comprehensive risk management	102-11, 102-15	It is a strategic pillar for our sustainability is the experience of the risk culture and how we manage them. In this way, we ensure the fulfillment of the values and our permanence as a solid, safe and sustainable bank. We also guarantee a management aligned with the interests of our main interest groups.	We put into practice our Risk Management Model designed for three lines of defense: 1) Back Office Business Areas, Support areas and support Risk Owner; 2) Regulatory Control and Risks; 3) Internal Audit. We also have a School of Risks Mexico through which we disseminate the risk culture and achieve its appropriation by the members of Santander, who identify some areas of opportunity and reinforce the culture of risk.
	Ethical behavior	102-17, 205-2	One of our main purposes, throughout our operation, is the construction of trust relationships with our stakeholders through a firm business ethic.	We put our Ethical Culture into practice by means of our principles, values and ethical standards, with which we ensure compliance with our General Code of Conduct. Likewise, we offer our collaborators an Ethics Line to respond to complaints regarding ethical issues.

(102-44, 102-47)

(102-44, 102-47)

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Products, services and impacts	Financial inclusion		Reducing poverty and helping generate an inclusive growth of the low-income population, as well as people who are not banked customers, is one of the Principles of Responsible Banking.	We have the Tuiio program of financial inclusion designed for the population with limited or no financial inclusion, with the objective of having a social impact through a competitive and comprehensive microloan offer.
	Accessibility of products and services	FS13	The search for an inclusive financial model is also one of the fundamental pillars of responsible banking, which is why in Santander we have prioritized accessibility so that more Mexicans can approach financial services and help reduce inequality.	We have alternative schemes to bank branches that facilitate general access to the products and services we offer, an example is the Tuiio program that operates on a simple and friendly technological platform. We have several available channels focused on our customers and users for easy and fast access: branches, ATMs, banking correspondents and a contact center. For people with some type of disability we have branches with adequate infrastructure, as well as ATMs with Braille keyboard.
Human Resources	Employee training	404-1	Guaranteeing the education of our collaborators is an essential element for our success. That is why we encourage your professional development through which we offer our customers a better service and achieve greater profitability and sustainability in our operation.	Through global and permanent courses and trainings to our collaborators we manage to develop their skills and competences. We also provide you with the necessary tools to carry out your daily operations more efficiently.

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Human Resources	Diversity and labor inclusion		It is a strategic component for business development through recognition of the diversity of ideas and proposals that enrich the perspective of the company.	Through our Diversity and Inclusion Council we manage an agenda within the organization that includes female talent, young talent and work-life balance, with the aim of enriching decision-making.
	Gender equality	405-1	As part of our strategy and in alignment with the SDGs, we protect, disseminate and safeguard gender equity as one of the fundamental Human Rights. We promote the adoption of basic principles of action with key interest groups, both inside and outside our operations.	Through our Diversity and Inclusion Council and our Santander Way Culture Committee we develop the talent of women from different angles. Through our Female Talent pillar we develop and create female representation in strategic leadership roles. We also have exclusive products for women such as Mujeres Empresarias, Mujer Crezcamos and Select Me.
	Talent attraction and retention	401-1	The talent of our organization enhances our sustainability, therefore we maintain the main objective of the integral development of our collaborators in their capacities and family life, which translates into stability of the organization.	Through strategic performance evaluation programs, we evaluate, recognize and develop our staff in a fair and equitable manner. We also maintain talent attraction programs such as "Linkers" and Young Talent. We combine the above with our Life Work Conciliation program and thus achieve an integral well-being.

(102-44, 102-47)

(102-44, 102-47)

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Human Resources	Occupational health and safety	403-3	The promotion of an integral well-being is an essential factor for the construction of prosperous societies, to which we contribute by combining our efforts to guarantee our collaborators a safe working environment.	We have internal and external committees through which we teach courses on civil protection, operational risk, branch security and hygiene and safety. We also seek the integral well-being of our employees through our BeHealthy program, which consists of four pillars: Know, Eat, Move and Balance.
	Employee fair compensation	201-1	We maintain a constant commitment with our collaborators, who represent a fundamental part in the base of our success. That is why we offer safe working conditions, sustainable and inclusive economic growth and decent employment for all.	We have a Remuneration Committee which is responsible for: <ul style="list-style-type: none"> Evaluate the risks faced by the Institution, its administrative, control and business units. Disseminate the criteria and policies of the remuneration schemes to employees. Inform the National Banking and Securities Commission about the modifications made to the Remuneration System. Propose for the approval of the Board of Directors everything related to remuneration processes.
	Fair treatment of suppliers	103-1	Our suppliers represent an essential part for the development of our business strategy and for the development of our activities, which is why we seek to generate mutually beneficial relationships.	We implement the Outsourcing and Agreements with Third Parties (suppliers) model which develops and specifies the principle of operational responsibility and establishes the references to be considered in the agreements with suppliers. Its main objective is to establish the principles that will regulate the relations of Santander Mexico entities with the suppliers, from the beginning to its termination, paying special attention to the rights and obligations of each of the parties.

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Value chain	Supplier selection under social and environmental responsibility		We maintain a sustainable operation modality that should also permeate our supply chain, so we work to guarantee an impeccable quality in our service from its origin.	We include environmental and social requirements in the contracts and agreements signed by our suppliers. Through this, we use resources and materials more efficiently, reduce risks and maintain control in our processes.
	Promotion of environmental and social principles and respect for human rights in the company's value chain	412-3	The members of our value chain are essential allies to jointly achieve sustainability and responsible banking objectives. That is why we seek that suppliers are aligned with ethical, legal, social and environmental principles that we live every day in Santander.	100% of the contracts we have with suppliers have a clause called Protocol of Social Responsibility that seeks to protect human rights, fair labor practices, care for the environment and the fight against corruption.
Link with the community	Social development investment (Health Programs, Nutrition, Children, natural disasters support)	103-1	In our Social Sustainability action axis we support the people and local communities where we operate to foster an environment of mutual well-being and growth, through different initiatives in which education has been our main tool for generating change and sustainable social development.	Through our Social Sustainability action axis, we promote education by providing the opportunity of access to quality education for children and young people. We also provide donations in support of Mexican children in a situation of marginalization. We play a role as sustainable partners by setting up an ATM network to receive donations from customers and users to support various social and environmental causes, and we provide humanitarian aid to various foundations through our volunteering and donations.
	Education support	FS16	Education is one of the key drivers for the development of a healthy social coexistence, which is why we are proud to present ourselves as allies of students from Mexico.	We form alliances with which we consolidate a solid platform to promote education throughout the country. Bécalos is one of the alliances through which we support low-income students of the upper and upper levels to continue their studies.

(102-44, 102-47)

(102-44, 102-47)

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Link with the community	Education research and innovation support		Higher education is the best tool to build a more just and prosperous society, not only in Mexico but in the world, which is why over the years we have supported higher education through scholarships, research and programs.	We carry out programs through the University Entrepreneurship axis from which elements such as: Santander scholarships for young people, professors and researchers and Mobility through which we promote the academic exchange of undergraduate students. We also offer scholarships for doctorate, masters and specialty degrees. We form strategic alliances between principals and academic directors through high-level international events.
	Impulse to the first employment and entrepreneurship in university students	103-1	Promoting employment and economic growth is part of our commitment as responsible banking, so we focus our eyes on the future and identify the training needs of organizations that can be served from the university.	On an annual basis we carry out the most important university entrepreneurship competition in the country: the Santander Prize for Business Innovation. We also have programs and scholarships that promote dynamic and innovative entrepreneurship as well as the creation of new companies.
Environmental management	Consumption and energy saving (eco-efficiency)	302-1	The promotion and use of sustainable energy is an opportunity to transform the life, the economy and the welfare of the planet; therefore, we develop strategies for our infrastructure that are based on clean energy sources.	We work on various initiatives in our branches such as Energy Consumption Diagnosis, the Energy Monitoring and Control System Pilot, as well as the use of alternative energy from a cogeneration plant considered emission-free.
	Consumption and water saving	303-1	Water is a vital and indispensable resource for life, which is why we face scarcity situations with the implementation of initiatives for saving.	We carry out different actions that we implement within Santander Mexico, including consumption monitoring through invoices, use of treated water, dry urinals, among others; with which we obtain a decrease in our annual consumption.

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Environmental management	Waste management	103-1	We maintain a faithful commitment to improving the environment through proper management, disposal and treatment of waste minimizing our environmental impact. We align ourselves with goal 11.6 of the Sustainable Development objective referring to cities and Sustainable Communities.	We have processes for the correct handling of paper, cardboard, containers and glass. We also use biodegradable and more environmentally friendly products for the cleaning of work and maintenance areas.
	Emissions generation	305-1, 305-2	Climate Change has been accelerated due to greenhouse gas emissions and we want to be part of the solution through initiatives to optimize transfers and improve energy efficiency in order to reduce the impact of the carbon footprint.	As initiatives to mitigate the impact on the environment we include transport units of more recent models. In the energy field: we use natural gas and LP gas, we also rigorously monitor the monthly details of lighting, air conditioning and electronic equipment that we use and remodel Smart RED branches by installing LED luminaires.
	Consumption and paper saving, including other materials	301-1	Paper consumption is very important for our operation, which is why we maintain a faithful commitment to optimizing and switching to more earth friendly resources in order to recover degraded forests and increase afforestation and reforestation.	We have various initiatives to reduce our paper consumption such as the Paperless campaign, the paper we use comes from managed forests in a responsible manner, or is recycled and we work hand in hand with Reforestamos México A.C.
Sustainability	Materiality and sustainability strategy	102-44, 102-46, 102-47	It is important to identify and reflect in our report the economic, ethical, environmental and social issues that are relevant to Santander Mexico and our stakeholders. In addition, and as part of our sustainability strategy, we report on our contribution to the United Nations Sustainable Development Goals (SDGs).	Our materiality study consists of a quantitative and qualitative systematic analysis process (aligned to the reference standards) that includes processes of dialogue with stakeholders and alignment to the business strategy as a key to establishing the priority focuses of action in terms of sustainability.

(102-43, 102-44, 102-47)

(102-44, 102-47, 103-1)

Category	Material Issue	Disclosure	Management Approach (103-1)	Coverage
Sustainability	Citizenship and corporate philanthropy	102-12, 102-13	We contribute and promote transparency and healthy competition in the market. In alignment with this principle, we are part of various associations, in which we share and promote the ethical and sustainable development of the Mexican financial sector.	We are part of associations, committees and groups of the financial sector in Mexico, such as AMIB, ABM and the Issuers Committee of the Mexican Stock Exchange (BMV). We are also part of the Sustainable IPC of the Mexican Stock Exchange (BMV) and we have distinguished ourselves with the seal of Socially Responsible Company for 14 years.
	Dialogue with stakeholders	102-40, 102-43	It is a priority for us to maintain a close and trusting relationship with all our stakeholders, so we listen to them, we know and we attend to their concerns to fulfill our commitment to be a simple, personal and fair bank.	We have multiple channels that allow us to know the expectations of our stakeholders and maintain a continuous dialogue with them. We carry out numerous studies and measurements to understand your needs and identify opportunities for creating value in the long term. We also participate in conferences and working groups at local and international level to know their interests.

Category	Related Stakeholder									
	Employees and their families	Customers	Academia	Society	Civil Society Organizations	Authorities	Shareholders / Investors	Suppliers	Competitors	Media
Corporate Governance And Business Strategy	●	●				●	●			
Products, Services And Impacts	●	●		●						
Human Resources	●			●						
Value Chain								●		
Links with the Community	●	●	●	●	●					
Environmental Management				●						
Sustainability	●	●	●	●	●	●	●	●	●	●

(102-22, 201-1)

(102-22)

ANNEX I

Economic Value

(Millions MXN)

	Concept	2018	2017	2018/2017 % Variation
Economic value generated	Interest income	\$112,822	\$97,233	16.03%
	Commissions and fees charged	\$23,083	\$21,019	9.82%
	Other income from the operation	\$857	\$1,045	-17.99%
	Total	\$136,762	\$119,297	14.64%
Economic value distributed	Interest expenses	\$51,414	\$42,218	21.78%
	Commissions and fees paid	\$6,251	\$5,386	16.06%
	Administration and promotion expenses	\$35,294	\$31,215	13.07%
	Income taxes incurred	\$5,615	\$4,216	33.18%
	Dividends paid	\$11,050	\$8,910	24.04%
	Investment in the community	\$156	\$122	27.91%
	Total	\$109,780	\$92,067	19.24%
Economic value retained	Total	\$26,981.95	\$27,230.00	-0.91%

ANNEX II

Profile of the Board of Directors

- **Mr. Marcos Alejandro Martínez Gavica.-** He is Chairman of the Board of Directors of GFSM, Banco Santander Mexico, Santander Stock Exchange, Santander Consumo and Santander Vivienda. He was a member of the Board of Directors of SAM Asset Management from 2002 to 2013. He subsequently served as Executive Chairman and CEO and Banco Santander (Mexico) from 1997 to 2016. He began his career in 1978 at Banco Nacional de México, S.A. performing several positions until reaching the Bank's administration. He is President of the Association of Banks of Mexico, A.C. He is a Chemical Engineer from the Universidad Iberoamericana, and holds a Master's Degree in Administration with a specialization in financial planning from the Pan-American Institute of Senior Business Management.
- **Mr. Héctor Grisi Checa.-** He is a member of the Board of Directors of GFSM, Banco Santander Mexico, Santander Stock Exchange, Santander Consumo and Santander Vivienda and serves as the Executive Chairman and CEO of Grupo Financiero Santander México and Banco

Santander (Mexico) . He was the Executive President and CEO of Grupo Financiero Credit Suisse (Mexico), S.A. of C.V. from 2001 to 2015, from 2001 to 2006 he served as the General Director of the same Institution, previously from 1997 to 2001, he was Director of Investment Banking at Credit Suisse Mexico. He was a member of the Board of Directors of Credit Suisse Americas, of the Global Credit Suisse Committee and Member of the Americas Operating Committee. He also held several positions in Grupo Financiero Invermexico from 1991 to 1997, in the investment and corporate banking divisions. From 1986 to 1991, he worked at the Casa de Bolsa Inverlat, in the corporate banking department. He is Vice President of the Association of Mexican Banks since 2011. He has a degree in Finance from the Universidad Iberoamericana of Mexico City, where he graduated with honors.

- **Mr. Rodrigo Echenique Gordillo.-** From 1999 to 2014, he was a member of the Board of Directors and the Executive Committee of Banco Santander Matriz, as well as member of other committees. During that time he also served

as vice president of Banco Banif, S.A. and president of Allfunds Bank, as well as vice president and president of SPREA and as a member of the Board of Directors of Santander International and Santander Investment, as well as executive vice president of Banco Santander Matriz and president of N.H. Hotels, S.A., Vallehermoso, S.A., Lar, S.A., Vocento, S.A. and Director of Inditex, S.A. He has also held the position of member of the Board of Directors of various industrial and financial companies, including Ebro Sugars and Alcohols, S.A, Agricultural Industries, S.A., SABA, S.A., Accenture. S.A., Lucent Technologies and Quercus and Agrolimen, S.A. He has served as a member of the Executive Committee and the Board of Trustees of Fundación Banco Santander Matriz, and other Pro-bono organizations. From 1994 to 1999 he was a member of the Board of Directors and the Executive Committee of Banco Santander Matriz, as well as member of all the committees. He also served as vice-president of Banco Santander de Negocios and Santander Investment. From 1984 to 1994 he served as Deputy General Director of Banco Santander Matriz, later appointed Deputy General Manager and General Director, in 1998 he was appointed member of the Board of Directors of Banco Santander Matriz and was appointed Chief Executive Officer and member of the Executive Committee. From 1976 to 1983 he worked as Deputy Director General and Head of Legal Services of the Foreign Bank of Spain, he also served as Deputy General Director and member of the Management Committee. From 1973 to 1976 he held various positions in the administration of the State (Delegations of Finance of Pontevedra and Madrid, General Secretary of Post and Telecommunications and Technical Adviser of the Presidency of the Government). He has a Law Degree from the Complutense University of Madrid.

- **Mr. Francisco Javier García-Carranza Benjumea.-** He is the Deputy General Director of Banco Santander. He is in charge, globally, of Restructuring, Participations, Real Estate, Recovery Strategy and Loan and Asset Provisions. Before joining Banco Santander in February 2016, he worked at Morgan Stanley, based in London, as Co-Head of Real Estate Investment Banking for EMEA (Europe, Middle East and Africa). At Morgan Stanley he advised customers on issues of Mergers and Acquisitions (M & A), equity financing transactions and debt for more than MXN \$100

billion. The most important transactions include: PVO of Inmobiliaria Colonial, OPV of Fadesa, OPV of Emaar Maals Debt and Equity, Aldar-Sorouh merger, acquisition of Gecina by Metrovacesa, acquisition of Urbis by Reyal, restructuring and OPV of Inmobiliaria Colonial, acquisition of Testa by Merlin Properties, among others. Mr. García-Carranza also has experience in investment business, having made investments for Morgan Stanley Real Estate Funds and for Morgan Stanley Special Situations Fund in the United Kingdom, Spain, Italy, France and Germany, having made investments in excess of \$ 5 one billion He is a member of the Board of Directors and the Executive Committee of Metrovacesa Suelo y Promoción SA, member of the Board of Metrovacesa promotion and Leasing, of the Asset Management Company from Banking Restructuring (Sareb), Banco Popular SA, Santander Spain, Altamira Asset Management SA, Altamira Real Estate, and President of Merlín Propertiesy Board Member of Santander Capital Desarrollo SGEIC SA. He has a degree in Business Administration from the Carlos III University of Madrid.

- **Mr. Rodrigo Brand de Lara.-** He is Deputy General Director of Studies, Strategy, Public Affairs and Chief of Staff of the Presidency of Banco Santander México since 2011. In 2010, he was General Director of the Division of Social Communication of the Ministry of Foreign Affairs . From 2006 to 2010, he was the head of the Social Communication Unit and Speaker of the SHCP. From 2004 to 2006, he served as General Director of Social Communication and Institutional Liaison of the IPAB, previously held various positions in the SHCP: 2003 to 2004 Deputy General Director Economic and Financial Analysis, 2000 to 2001 Senior Advisor to the Undersecretary of Finance and Public Credit, 1999 to 2000 Deputy Director of Internal Credit Coordination and Collection. From 1996 to 1999, he was an Economist for Mexico at Deutsche Morgan Grenfell and during 1996 he was also an Advisor to the Deputy Director of Financial Engineering at Banobras. He has a degree in Economics from the Instituto Tecnológico Autónomo de México.
- **Mr. Ángel Rivera Congosto.-** He is Vice President of Commercial Banking at Banco Santander Mexico. He began working in the Santander Matriz Group in April 2013

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as General Director of the Business, SMEs and Institutions Area within the Commercial Banking Division. For 24 years he worked in the Banco Popular Group, where after working in retail branches, he headed the Presidency Cabinet, the International Banking area, with responsibility also for correspondent banking and the Group's offices abroad; the Strategy and Corporate Development area, the Human Resources Division, the General Directorate of Media, the latter grouping the Technology, Organization, Operations and Human Resources departments, and the General Directorate of the Commercial Network, with responsibility for the network of Popular branches and its five subsidiary banks, marketing and business intelligence management. He was also a member of the Management Committee, the Defaulters and Recovery Committee and the ALCO Committee. He has a Diploma in Tourism Companies and Activities from the Official School of Tourism of Spain, he also carried out the Program of Senior Business Management (PADE) at IESE (University of Navarra) and the Development Program in Corporate Finance at the Institute of Company of Madrid. In addition, he has carried out various financial programs in the United States and Australia and is a member of the Australian Institute of Banking & Finance.

- **Mr. Didier Mena Campos.-** He is Chief Financial Officer since November 2016, before he was Deputy General Director of Finance at Banco Santander Mexico in May 2016. Before joining Grupo Santander, Mr. Mena worked in several financial institutions as: (i) Execution Finance, an investment bank, where he was a Partner from 2014 to 2016, (ii) Navix, a financial company focused on financing companies in the Mexican energy sector, where he was CEO from 2013 to 2014, (iii) Credit Suisse, whose last responsibility was as Managing Director of the Group of Financial Institutions of Latin America between 2010 and 2012, (iv) during 2008 to 2010 he was Chief Financial Officer of Financiera Independencia, (v) Between 2001 and 2008 he served as Director of Credit Suisse in Investment Banking and Fixed Income and (vi) and collaborated for Grupo Financiero BBVA Bancomer from 1994 to 2000, with responsibilities in the ALCO and participating in

operations atégicas such as the merger with BBVA, the acquisition of Banca Promex, the acquisition of the 49% stake held by Aetna Seguros, Afore and Pensiones Bancomer and the strategy of the branch network. Outside of the financial sector, he worked at Oro Negro, a Mexican drilling company, from 2012 to 2013 as Financial Director and Director of Investments. He studied economics at ITAM and received his master's degree in business administration from Boston University.

- **Mrs. Gina Diez Barroso Azcárraga.-** President and founder, for more than 20 years, of Grupo Diarq, S.A. of C.V. and Diarq Foundation, I.A.P. In 2004, she founded the CENTER of Design and Communication, S.C., which won an award for the best design school for the period of 2012-2013. She is also the founder of Fundación Pro-Educación Centro. Participates in various Boards of Directors Committees and Groups, both national and international, highlighting: Americas Society and Council of the Americas, Qualitas of Life Foundation, Integral Group of Real Estate Development, C200 Foundation Board, Global Spa and Wellness Summit, The Committee of 200 Women Business Leaders of the World, Womens Presidents Organization, and Women Corporate Directors. She has a degree in Design from the CDI University and has several degrees from the School of Psychology and Business at Stanford University.
- **Mr. Guillermo Güemez García.-** He has served as a member of the Board of Directors of Zurich Compañía de Seguros, S.A. and ING AFORE and in the case of Zurich Compañía de Seguros, S.A. He has also served as chairman of the audit committee and at ING Afore as a member of the investment committee. He previously served as a member of the Board of Directors of Zurich Santander México, S.A. Additionally, he serves as a member of the strategy and finance committee of Nacional Monte de Piedad, as a member of the Board of Directors of GEUPEC, S.A. of C.V. and as president of the advisory committee of the Business and Economics Administration of the Universidad Panamericana. From 1995 to 2010 he was Deputy Governor of the Bank of Mexico and Chairman of the responsibilities committee of the Bank of Mexico. From 2007 to 2010 he was a member of the CNBV's cabinet. From 1995 to 1997 he was a substitute member of the CNSF cabinet. From 1991 to 1993 he served as Executive Director of the Business

Coordinator for the Free Trade Agreement (Mexico-USA-Canada). He also held several executive positions at Banamex from 1974 to 1990. He is a Civil Engineer (with honors) from the National Autonomous University of Mexico and has a Master of Science from Stanford University, CA.

- **Mr. Guillermo Jorge Quiroz Abed.-** He served as the Corporate Director of Administration and Finance at Grupo Bimbo for the past 18 years. From 1997 to 1999 he was in charge of the Finance Department of the Santander Serfin Group, involved in the restructuring of the bank and subsequent sale to the Santander Financial Group. He started his professional career as Finance Director in Grupo Condumex from 1978 to 1992 and later had the same address in Aeromexico, Mexicana de Aviación and Cintra until 1997. He was a full-time professor in the finance area at IPADE. He is an Actuary from the Anahuac University and the Autonomous University of Mexico and has a Master's degree in Business Management from IPADE.
- **Mr. Juan Gallardo Thurlow.-** He has served as Chairman of the Board of Directors of Grupo GEPP (Group of Pepsicola Bottlers and their brands in the Mexican Republic) and of Grupo Azucarero México, S.A. of C.V. He is a member of the Board of Directors of Caterpillar, Inc. and of Lafarge, S.A., of the international advisory board of Bombardier Inc. He is a member of the Mexican Council of Businessmen, A.C. and the Business Council of Latin America. He is the General Coordinator of COECE (Coordinator of Foreign Trade Business Organizations for negotiations with the Free Trade Agreements of Mexico). From 1978 to 1989 he served as a member of the Board of Directors of Babcock de México, S.A. of C.V. From 1974 to 1988 he was president of the Board of Directors of Clevite de México, S.A. of C.V. From 1981 to 1983, he was deputy general manager of Grupo Industrial Minera México, S.A. From 1976 to 1980 he was General Director of the international and investment banking division of Multibanco Comermex, S.A., Institución de Banca Múltiple. He graduated in Law from the Escuela Libre de Derecho, and has an AD II Program at the Pan-American Institute of Senior Business Management.
- **Mr. Eduardo Carredano Fernández.-** He is Chairman of the Board of Directors of La Ideal S.A. of C.V., Aceros La Ideal

S.A. of C.V. Industrial Formacero, S.A. of C.V. and Fianzas Asecam, S.A., is also a member of the Board of Directors of Inmobiliaria Silver, S.A. de C.V., Asecam, S.A. de C.V., Grupo Financiero Asecam, S.A. of C.V. He was a member of the Boards of Directors of Credicam, S.A. de C.V., SOFOM E.R. from 1991 to 2008 Seguros Génesis, S.A. from 1993 to 1997, and Fianzas Asecam, S.A. from 1994 to 2014. He studied Public Accounting at the Universidad Iberoamericana.

- **Mr. Antonio Purón Mier y Terán.-** He has served as a member of the Board of Directors of Nadro, S.A., as well as the Board of Trustees of the National Museum of Art, Banco Santander Matriz and the Board of Trustees of the Universidad Iberoamericana. He has also served as a member of the Board of Directors of Zurich Santander Seguros México, S.A., he has also worked as an associate of the Center for Research and Economic Analysis (CIDAC) and as a member of the Institute for Development and Educational Research (IFIE) and of Metropoli 2025 He has worked as a consultant for public and private institutions regarding strategy, operations and organization in collaboration with the Center for Economic Research and Teaching (CIDE) and with other specialists. He served as director-partner in the Mexico office of McKinsey & Company, Inc., for more than 26 years. He has served as a teacher of training courses for McKinsey partners and has been in charge of the "coaching" program of partners worldwide. Before starting at McKinsey, he was a full-time professor at the Universidad Iberoamericana and worked at the Mexican Petroleum Institute, Pan American Engineering and Polioles, S.A. He is a Chemical Engineer from the Universidad Iberoamericana and has a Master's Degree in Business Administration from Stanford University.
- **Mr. Fernando Benjamín Ruíz Sahagún.-** He serves as board member of the Bolsa Mexicana de Valores, S.A.B. de C.V., Fresnillo, PLC, Grupo Cementos de Chihuahua S.A.B. de C.V., Grupo México, S.A.B. de C.V., Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Pochteca, S.A.B. de C.V., Kimberly Clark de México, S.A.B. de C.V., Mexichem, S.A.B. de C.V., RASSINI, S.A.B de C.V., and Arcelor Mittal de México, S.A. of C.V. He has served as a member of the International Tax Association (IFA for its acronym in English) and the Mexican Institute of Finance Executives, A.C., as well as a member of the Mexican Institute of Public Accountants,

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A.C. and served as a member of his Council. He is one of the founding partners of Chévez, Ruiz, Zamarripa y Cía. S.C., a tax office in which he has served as a counselor. He holds a degree in Public Accounting from the National Autonomous University of Mexico.

- **Mr. Alberto Torrado Martínez.-** He is a member of the board of directors of the Bolsa Mexicana de Valores, S.A.B. de C.V., ProBosque de Chapultepec Trust and member of the Mexican Business Council. He is founder, General Director, Patrimonial Advisor, Chairman of the Board of Directors, Executive President of Alsea, S.A.B. of C.V. He has served as President of the National Association of Fast Food Services and as a member of the National Chamber of the Restaurant Industry and Seasoned Foods. He is one of the founding partners of Torrquin, S.A. of C.V. (Master Domino's franchise), holding the position of General Director. He holds a Bachelor's Degree in Accounting from the Autonomous Technological Institute of Mexico, post-graduate studies at the Pan-American Institute of Corporate Senior Management and participated in several courses at Harvard Business School and Wharton School at the University of Pennsylvania.
- **Mr. Joaquín Vargas Guajardo.-** He has served as Chairman of the Board of Directors of Corporación Mexicana de Restaurantes, S.A.B. of C.V. and previously as Chairman of the Board of Directors of Grupo MVS Comunicaciones, of the National Chamber of the Radio and Television Industry and of the Association of Directors of Restaurant Chains. He has also served as a director of several companies, including Vitro, S.A.B. de C.V., Grupo Posadas, S.A.B. de C.V., Periódico el Universal, Médica Sur, S.A.B. de C.V., Grupo Aeroportuario del Pacífico, S.A.B. of C.V. and Grupo Costamex, among others. From April 1997 to April 2005 and from April 2008 to April 2012 he was a member of the Board of Directors of the BMV. He has a degree in Business Administration from the Monterrey Institute of Technology and Higher Education, and has senior management studies at the Pan American Institute of Senior Business Management.

- **Mr. Jesús Federico Reyes Heróles González Garza.-** From 2006 to 2009 he was the General Director of Petróleos Mexicanos. He is the Executive President of StucturA. He is a member of several Boards of Directors, including OHL México, S.A.B. of C.V. and Water Capital Mexico (WCAP Holdings, S.A. de C.V.). He is a member of the Energy Intelligence Group Advisory Board. From 2010 to 2012 he served as a member of the Advisory Board of Deutsche Bank. He is a member of the Water Advisory Council, A.C. and Chairman of the Water Committee of the Gonzálo Río Arronte Foundation. From 1997 to 2000 he was Ambassador of Mexico to the United States. From 1995 to 1997 he was Secretary of Energy. From 1994 to 1995 he was Managing Director of Banobras. From 1993 to 1994 he was the representative of Mexico in the Eminent Persons Group of APEC. He has a degree in Economics from the Autonomous Technological Institute of Mexico and a Law Degree from the National Autonomous University of Mexico. He has a Doctorate in Economics from the Massachusetts Institute of Technology.
- **Mr. Rogelio Zambrano Lozano.-** He is Chairman of the Board of Directors of CEMEX S.A.B. since May 15, 2014. He served as a member of CEMEX's Board of Directors since 1987 and from 1997 he chaired his Finance Committee. He founded in 1983 and headed until his appointment as the new President of the Board of Directors of CEMEX the company CARZA S.A. de C.V., specialized in the development of real estate projects in Mexico. Between 1977 and 1983 Mr. Zambrano Lozano held various positions at CEMEX, in areas related to production, distribution, marketing and strategic planning. He has been a professor since 1985 in the Division of Business Development of the Technological Institute of Monterrey, as well as a member of the Business Executive Committee of the Business Incubator and President of the Business Council of the Business Incubator Campus Monterrey of the same Technological Institute of Monterrey. He graduated as an Industrial and Systems Engineer from the Technological Institute of Monterrey in 1977 and obtained a Master's Degree in Business Administration (MBA) in 1980 from the Wharton Business School of the University of Pennsylvania, E.U.A.

- **Don Guillermo Francisco Vogel Hinojosa.-** He is currently President of the National Chamber of the Iron and Steel Industry (CANACERO), formerly held the same position from 1987 to 1989 and from 2001 to 2003. He is Vice President of the Board of American Iron & Steel Institute (AISI) and President of the North American Steel Council. He is a member of the Boards of: Tenaris, Techint Mexico, ALFA Corporation, Universidad Panamericana-IPADE, Rassini, Mexican Capital Investment Corporation, Innovare, Grupo Assa and American Iron and Steel Institute among others. He is also Chairman of the Board of Directors of Grupo Collado and Exportaciones IM Promoción and member of the Trilateral Commission and the International Council of the Manhattan School of Music. Previously, he held the position of Executive Vice President and CEO of TAMSA in 1987. In June 1997, he was promoted as Vice President of the Board of Directors. Since 2002 he has been Director and Vice President of the TENARIS Council. Mr. Vogel began his career within the Bank of America Corporate Banking in Los Angeles, California in 1976, where he became Vice President. In 1979 he joined Banamex also in Corporate Banking and in 1983, as Director, he decided to move to Tamsa as CFO. He has a degree in Business Administration from the National Autonomous University of Mexico (UNAM) and has a M.B.A. by the University of Texas at Austin.
- **Mrs. María de Lourdes Melgar Palacios.-** She is a National Researcher of the National Council of Sciences and Technology. She graduated with honors from Mount Holyoke College where she studied International Relations and Comparative Literature. He has a doctorate in political science, specializing in political economy, from MIT. Within the Government, she has been Undersecretary of Hydrocarbons (February 2014-July 2016) and Undersecretary of Electricity (December 2012-February 2014) in the Energy Secretariat, where she participated in the design, negotiation and implementation of the new Mexican energy model. It promoted the inclusion of the electric reform and the social approach to sustainability. As of February 2014, he chaired the Technical Group of the Energy Reform that defined the terms and conditions

of the first oil contracts tendered by the Mexican State. She has been a member of the Governing Board of the Federal Electricity Commission and a Regular Counselor of Petróleos Mexicanos, as well as the National Natural Gas Control Center, as well as an alternate counselor in the Mexican Petroleum Fund, in Nacional Financiera and in Bancomext. Previously, Dr. Melgar occupied diverse positions within Mexican diplomacy. She is a member of the International Women's Forum and chairs IWF Mexico, she is Global Ambassador of Vital Voices, ambassador in the C3E Women in Clean Energy initiative. He is a member of the Mexican Council of International Affairs and the Trilateral Commission. She has been recognized with Woman of Challenges in 2015, has been included in the list of 100 Leaders of the Mexican energy sector for 7 consecutive years, receiving in 2012 the Award for Energy Achievement for academic and research career, as well as the Vasco de Quiroga Award to the citizen's merit by the Álvaro Obregón Delegation.

GRI



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GRI 101: FOUNDATION 2016				
GENERAL DISCLOSURES				
GRI 102: GENERAL DISCLOSURES 2016				
1. Organizational Profile				
102-1	Name of the organization	p. 5 Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México.		
102-2	Activities, brands, products, and services	p. 4, 7- None of Santander´s products or services are prohibited.		
102-3	Location of headquarters	Corporate Headquarters located at: Avenida Prolongación Paseo de la Reforma 500, Colonia Lomas de Santa Fe, Delegación Álvaro Obregón, C.P. 01219, Mexico City. The Global Headquarters of Santander is located in Madrid, Spain.		
102-4	Location of operations	p. 6 All the significant operations, investments, contracts and relevant data in this report refer to Mexico as a region, since the global context of Santander's operation in the world is referenced in the Report of Spain.		
102-5	Ownership and legal form	Banco Santander México, S.A., Multiple Banking Institution, Grupo Financiero Santander México. Private financial institution subsidiary of the Bank Santander Spain.		
102-6	Markets served	p. 6, 104		
102-7	Scale of the organization	p. 5, 7 Our total income is valued in MXN \$75,768 million.		
102-8	Information on employees and other workers	p. 65-69 Santander does not have part-time employees.		
102-9	Supply chain	p. 131-133		
102-10	Significant changes to the organization and its supply chain	p. XIV-XXXV, 34 There were no significant changes in our operations nor in our supply chain.		

For Materiality Disclosures Services, GRI Services has reviewed that the GRI Content Index is clear and that the references for 102-40 to 102-49 contents correspond to the right sections of the report. The service was performed on the Spanish version of the report.

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102-48	Restatements of information	p. 124 We have restated our scope 1 2017 emissions generated by our utility vehicles, resulting in a total 2,517.79 ton CO ₂ e.		
102-49	Changes in reporting	p. 159		
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MATERIAL TOPICS**Corporate Governance**

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Comprehensive Risk Management

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GRI 102: GENERAL DISCLOSURES 2016				
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FINANCIAL SERVICES SECTOR DISCLOSURE 2013 G4 ASPECT: LOCAL COMMUNITIES

FS13	Access points in low-populated or economically disadvantaged areas by type	p. 115 There was a 2,800% increase of acces points between 2017 and 2018. Our regions are classified according to the evaluation results, which considers demographic context, economic context, competition and attractors.		
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Accesibility of Products and Services

GRI 103: MANAGEMENT APPROACH 2016

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FINANCIAL SERVICES SECTOR DISCLOSURE 2013 G4 ASPECT: LOCAL COMMUNITIES

FS13	Access points in low-populated or economically disadvantaged areas by type	p. 115 There was a 2,800% increase of acces points between 2017 and 2018. Our regions are classified according to the evaluation results, which considers demographic context, economic context, competition and attractors.		
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Training of Employees

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103-3	Evaluation of the management approach	p. 70-71		

GRI 404: TRAINING AND EDUCATION 2016

404-1	Average hours of training per year per employee	p. 70-71 The average hours of training were calculated the following way: Total employees divided by employee category and gender throughout the year (including dismissals) / Total of hours given by employee category and gender throughout the year (including dismissals).		
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Diversity and Labor Inclusion

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its Boundary	p. 165, 171		
103-2	The management approach and its components	p. 32-33, 36-37, 65-69, 75-77		
103-3	Evaluation of the management approach	p. 32-33, 36-37, 65-69, 75-77		

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016

405-1	Diversity of governance bodies and employees	p. 32-33, 36-37, 65-69, 75-77 No other diversity indicators apply.		
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Gender Equality

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its Boundary	p. 165		
103-2	The management approach and its components	p. 32-33, 36-37, 65-69, 75-77		
103-3	Evaluation of the management approach	p. 32-33, 36-37, 65-69, 75-77		

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016

405-1	Diversity of governance bodies and employees	p. 32-33, 36-37, 65-69, 75-77 No other diversity indicators apply.		
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Disclosure	Content	Page / Direct Answer	Omission	Verification
Capture and Retention of Talent				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 165, 171		
103-2	The management approach and its components	p. 65, 67, 69		
103-3	Evaluation of the management approach	p. 65, 67, 69		
GRI 401: EMPLOYMENT 2016				
401-1	New employee hires and employee turnover	p. 65, 67, 69 The methodology used for calculating the turnover rate is the following: Annual Turnover Rate = $\frac{\sum \text{Total accumulated losses in the month iHC active 2nd fortnight of the month i2i-1}}{\sum \text{Total accumulated losses in the month iHC active 2nd fortnight of the month i2i-1}} \times 100$. Due to the change of methodology for the measurement of rotation the result of 2017 is 17.5%		
Occupational Health and Safety				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 166, 171		
103-2	The management approach and its components	p. 78-79		
103-3	Evaluation of the management approach	p. 78-79		
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016				
403-3	Occupational health services	We ensure a safe work environment, with no high risk health or wellness activities for our employees.		
Fair Compensation to Employees				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 166, 171		
103-2	The management approach and its components	p. 185		
103-3	Evaluation of the management approach	p. 185		

Disclosure	Content	Page / Direct Answer	Omission	Verification
GRI 201: ECONOMIC PERFORMANCE 2016				
201-1	Direct economic value generated and distributed	p. 172		
Fair Treatment of Suppliers				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 166		
103-2	The management approach and its components	p. 133		
103-3	Evaluation of the management approach	p. 133		
Selection of Suppliers Under Criteria of Social and Environmental Responsibility				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 167, 171		
103-2	The management approach and its components	p. 131,133,134-135		
103-3	Evaluation of the management approach	p. 131,133,134-135		
GRI 412: HUMAN RIGHTS ASSESSMENT 2016				
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 133 All agreements and contracts with significant investment within our supply chain come from strategic suppliers of the Bank (standardized through Aquanima).		

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Disclosure	Content	Page / Direct Answer	Omission	Verification
Promotion of Environmental and Social Principles and Respect for Human Rights in the Company's Value Chain				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 167, 171		
103-2	The management approach and its components	p. 131,133,134-135		
103-3	Evaluation of the management approach	p. 131,133,134-135		
GRI 412: HUMAN RIGHTS ASSESSMENT 2016				
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 133 All agreements and contracts with significant investment within our supply chain come from strategic suppliers of the Bank (standardized through Aquanima).		
Investment in Social Development (Health Programs, Nutrition, Children, Support for Natural Disasters)				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 167		
103-2	The management approach and its components	p. 145-157		
103-3	Evaluation of the management approach	p. 145-157		
Support for Education				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 167, 171		
103-2	The management approach and its components	p. 118-119		
103-3	Evaluation of the management approach	p. 118-119		
FINANCIAL SERVICES SECTOR DISCLOSURE 2013 G4 ASPECT: PRODUCT AND SERVICE LABELING				
FS16	Initiatives to enhance financial literacy by type of beneficiary	p. 118-119		

Disclosure	Content	Page / Direct Answer	Omission	Verification
Support for Research and Innovation in Education				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 168		
103-2	The management approach and its components	p. 110-112, 139-143		
103-3	Evaluation of the management approach	p. 110-112, 139-143		
Support for the First Employment and Entrepreneurship in University Students				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 168		
103-2	The management approach and its components	p. 139-143		
103-3	Evaluation of the management approach	p. 139-143		
Consumption and Energy Saving (Eco-Efficiency)				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 168, 171		
103-2	The management approach and its components	p. 126-128		
103-3	Evaluation of the management approach	p. 126-128		
GRI 302: ENERGY 2016				
302-1	Energy consumption within the organization	p. 126-128		

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Disclosure	Content	Page / Direct Answer	Omission	Verification
Consumption and Water Saving				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 168, 171		
103-2	The management approach and its components	p. 128-129		
103-3	Evaluation of the management approach	p. 128-129		
GRI 303: WATER AND EFFLUENTS 2016				
303-1	Interactions with water as a shared resource	p. 128-129 99.75% of our water consumption comes from municipal sources, while .025% comes from treated water sources.		
Waste Management				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 169		
103-2	The management approach and its components	p. 130		
103-3	Evaluation of the management approach	p. 130		
Generation of Emissions				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 169, 171		
103-2	The management approach and its components	p. 124-125		
103-3	Evaluation of the management approach	p. 124-125		
GRI 305: EMISSIONS 2016				
305-1	Direct (Scope 1) GHG emissions	p. 124-125 We have restated our scope 1 2017 emissions generated by our utility vehicles, resulting in a total 2,517.79 ton CO ₂ e.		
305-2	Energy indirect (Scope 2) GHG emissions	p. 124-125		

Disclosure	Content	Page / Direct Answer	Omission	Verification
Consumption and Saving of Paper and Other Materials				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 169, 171		
103-2	The management approach and its components	p. 129-130		
103-3	Evaluation of the management approach	p. 129-130		
GRI 301: MATERIALS 2016				
301-1	Materials used by weight or volume	p. 129-130		
Materiality and Sustainability Strategy				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 169		
103-2	The management approach and its components	p. 160-162, 171		
103-3	Evaluation of the management approach	p. 160-162, 171		
GRI 102: GENERAL DISCLOSURES 2016				
102-44	Key topics and concerns raised	p. 160,161, 162-171		
102-46	Defining report content and topic Boundaries	p. 160-162		
102-47	List of material topics	p. 162-171		

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Disclosure	Content	Page / Direct Answer	Omission	Verification
Citizenship and Corporate Philanthropy				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 170		
103-2	The management approach and its components	p. 16-17, 20-27, 46-49		
103-3	Evaluation of the management approach	p. 16-17, 20-27, 46-49		
GRI 102: GENERAL DISCLOSURES 2016				
102-12	External initiatives	p. IV, XIV, XXIV, 20-25, 46-49		
102-13	Membership of associations	p. 16-17, 46-49		
Dialogue with Stakeholders				
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	p. 170		
103-2	The management approach and its components	p. 28-29		
103-3	Evaluation of the management approach	p. 28-29		
GRI 102: GENERAL DISCLOSURES 2016				
102-40	List of stakeholder groups	p. 28-29		
102-43	Approach to stakeholder engagement	p. 28-29, 170		



Verification

Letter

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This version of our 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 México, S.A., Institución de Banca Múltiple, Banco Santander México

To the management of Banco Santander Mexico.

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 2018 Sustainability Report (hereinafter, "the identified sustainability indicators") which were prepared by Banco Santander Mexico, S.A., Institución de Banca Múltiple, Banco Santander Mexico (hereinafter Banco Santander Mexico) for the year ended December 31st, 2018, in accordance with the Core option 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 Core option 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	102-11	102-41	102-51	302-1	FS16
102-2	102-12	102-42	102-52	303-1	
102-3	102-13	102-43	102-53	305-1	
102-4	102-14	102-44	102-54	305-2	
102-5	102-15	102-45	102-55	401-1	
102-6	102-16	102-46	102-56	403-3	
102-7	102-17	102-47	103-1	404-1	
102-8	102-18	102-48	201-1	405-1	
102-9	102-22	102-49	205-2	412-3	
102-10	102-40	102-50	301-1	FS13	

PricewaterhouseCoopers, S. C. Mariano Escobedo 573, Colonia Rincón del Bosque, C. P. 11580, Ciudad de México
T: (55) 5263 6000, www.pwc.com/mx



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 December 31st, 2018, and we have not performed any procedures with respect to earlier periods or any other elements included in the 2018 sustainability report and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by Banco Santander Mexico 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 2018 Sustainability Report (hereinafter "the Criteria").

Banco Santander Mexico's Responsibility on the Sustainability Indicators

Management of Banco Santander Mexico is responsible for the preparation, contents and presentation of the 2018 Sustainability Report as well as the preparation of the sustainability indicators subject to limited assurance procedures in accordance with the Core option of the GRI Standards and Financial Services Sector Disclosures, referenced in the GRI Content Index of the 2018 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 Banco Santander Mexico 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.

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 requires 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 Banco Santander Mexico'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 Banco Santander Mexico'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 Banco Santander Mexico Identified Sustainability Indicators for the year ended December 31st, 2018 is not prepared, in all material respects, in accordance with the Criteria.

Use and distribution restriction

This report, including the conclusion, has been prepared solely for the management of Banco Santander México, S. A. to assist them in reporting of sustainable development performance and activities. We allow the inclusion of this report within the 2018 Sustainability Report. We do not assume any responsibility to third parties other than the management of Banco Santander Mexico.

PricewaterhouseCoopers, S. C.

José Ignacio Toussaint Purón
Mexico City
April 30th, 2019

