

BANCO SANTANDER, S.A.

2019 INFORMATION ON CORPORATE GOVERNANCE AND REMUNERATIONS

- 2019 annual corporate governance report
- 2019 annual remunerations report
- 2019 activities reports of the audit; appointments; remunerations; risk, supervision and compliance; responsible banking, sustainability and culture; and innovation and technology committees

The corporate governance chapter of the consolidated directors' report that forms part of the 2019 Annual Report of Banco Santander, S.A. ('Santander') is attached. The entire document is available on the corporate website (www.santander.com).

This chapter includes the content of the 2019 annual corporate governance and remunerations report, drafted in a free format as last year according to the provisions of the relevant regulation of the the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*), as well as the 2019 activities reports of the audit; appointments; remuneration; risk supervision, regulation and compliance; responsible banking, sustainability culture; and innovation and technology committees.

The chapter must be read in conjunction with the other sections of the 2019 Annual Report given it forms part of it. In addition, due to that circumstance, it must be noted that the automatic links to other sections that are included in the attached document will not work.

The references to find the above mentioned information within the attached chapter are the following:

• 2019 annual corporate governance report	Entire corporate governance chapter
• 2019 annual remunerations report	Sections 6 (excluding section 6.6), 9.4 and 9.5
• 2019 activities reports of the audit; appointments; remunerations; risk, supervision and compliance; responsible banking, sustainability and culture; and innovation and technology committees	Sections 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10, respectively



Corporate governance



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1. Overview of corporate governance in 2019

Structure of our corporate governance report

On 12 June 2018, the Spanish National Securities Market Commission (CNMV) approved new formats for the annual corporate governance and remuneration reports Spanish companies are required to submit and, more importantly, allowed companies to draft their reports in a free format.

As in 2018, the 2019 corporate governance report in this chapter of the annual report follows a free format. Using such free format allows this 2019 corporate governance report to include in one single document content that was previously included in at least five different documents.

The information below is provided to understand how this chapter is organised and how it relates to the documents we published before 2018. This chapter and report:

- Merges (1) the summary content on corporate governance that we typically included in the annual report and (2) the legally required content for the corporate governance report itself;
- Includes the content that was previously set out in the reports on the activities of the board of directors' committees (see sections [4.5](#), [4.6](#), [4.7](#) and [4.8](#));
- Includes (1) the annual report on directors' remuneration that we are required to prepare and submit to a consultative vote at our 2020 annual general shareholders' meeting (AGM) (see section 6

['Remuneration'](#)) and (2) our directors' remuneration policy (see section 6.4 ['Directors remuneration policy for 2020, 2021 and 2022 that is submitted to a binding vote of the shareholders'](#));

- Provides in section 9.1 ['Reconciliation with the CNMV's corporate governance report model'](#) and section 9.4 ['Reconciliation with the CNMV's remuneration report model'](#) cross references to where information can be found in this chapter or elsewhere in this annual report for each section of the corporate governance and remuneration reports in the CNMV's prescribed format; and
- Provides in section 9.3 ['Table on compliance with, and explanations of, recommendations on corporate governance'](#) cross-references showing where the information supporting each response for all recommendations in the Spanish Corporate Governance Code for Listed Companies can be found in this 2019 corporate governance chapter or elsewhere in this annual report.
- In addition, this 2019 corporate governance report includes reports on the activities of the responsible banking, sustainability and culture committee and of the innovation and technology committee (see sections [4.9](#) and [4.10](#)).

1.1 Renewing the board

Continued improvement in the board's composition

Throughout 2019, we continued to renew and strengthen the board, reflecting our strong commitment to ensuring balance and diversity. This renewal was conducted in line with our policy for the selection, suitability assessment and succession of directors, reviewed by the board in February 2019, which replaced the target for 30% of women representation on the board, set in January 2016, to a new target to reach a 40-60% women representation by 2021. Additionally, in February 2020 we reinforced our process of succession planning for the board and we reviewed again said policy, which will be submitted for approval of the board in March 2020.

The main board changes in 2019 were as follows:

- Mr Henrique de Castro was appointed independent director at our 2019 annual general shareholders' meeting (2019 AGM). He filled the vacancy left by independent director Mr Juan Miguel Villar Mir on 1 January 2019.

Mr Henrique de Castro brings to the board his sound experience in the technological and digital industry along with significant experience in the US market, which he

acquired through top positions held in companies such as Yahoo! Inc. and Google, Inc. For more information see section 4.1 ['Our directors'](#).

- Mrs Pamela Walkden was appointed independent director on 29 October 2019 through co-option. She filled the vacancy left by independent director Mr Carlos Fernández González. The ratification of her appointment has been submitted by the board of directors to our 2020 annual general shareholders' meeting (2020 AGM). See section 3.6 ['Our coming 2020 AGM'](#).

Mrs Pamela Walkden brings to the board greater gender and geographic diversity, as well as a broad international experience in the banking industry and audit, as she has held a number of senior management positions at Standard Chartered Bank over a period of nearly 30 years. With her appointment, we achieved our gender equality target established in the policy for the selection, suitability assessment and succession of directors more than one year ahead of the established target date. For more information see section 4.1 ['Our directors'](#).

- Mr Rodrigo Echenique continues as a director but ceased to be vice chairman of the Board and to perform his executive functions on 1 May 2019.

The following changes have been proposed for 2020:

- Mr Luis Isasi's appointment as a new external director has been proposed by the board of directors to the 2020 AGM to fill the vacancy left by Mr Guillermo de la Dehesa, who notified his decision to resign as director with effects from the approval of Mr Isasi's election at the 2020 AGM. See section 3.6 '[Our coming 2020 AGM](#)'. It is expected that, along with his appointment as a director of the Bank, Mr Isasi is appointed non-executive chairman of Santander España.

Mr Luis Isasi has a strong track record in financial services, both in commercial and investment banking, and capital markets, having held executive positions in JP Morgan in New York and in First National Bank of Chicago in London. In 1987, he joined Morgan Stanley, where he was managing director of investment banking for Europe and chairman and country head in Spain. He brings to the board great experience from a wide range of sectors and international markets, as well as a strong institutional network within Spain.

- Mr Sergio Rial's appointment as a new executive director has been proposed by the board of directors to the 2020 AGM to fill the vacancy left by Mr Ignacio Benjumea Cabeza de Vaca, who has notified his wish that his re-election as a director is not proposed to the approval of the AGM, as would be required under the Bylaws, and therefore to cease in his office as director, with effect as from the appointment and acceptance of Mr Rial become effective. See section 3.6 '[Our coming 2020 AGM](#)'.

Mr Sergio Rial joined the Group in 2015 as chairman of the board of directors of Banco Santander (Brasil), S.A. He is currently head of South America and CEO and vice chairman of Banco Santander (Brasil), S.A. Provides to the board extensive experience in the banking and financial sector, having held various executive positions, as well as a deep knowledge of the Latin American market, especially the Brazilian market. His previous experience in multinational groups in different geographical areas and sectors, such as Cargill Inc., Seara Foods or Marfrig Global Foods, also strengthens the international diversity of the board and provides a valuable vision on environmental and social issues. He currently serves as independent director of Delta Airlines Inc.

Renewal of the board

Changes	Stepping down from role	Taking up role
Independent directors	Mr Juan Miguel Villar Mir	Mr Henrique de Castro
	Mr Carlos Fernández	Mrs Pamela Walkden
External / executive directors	Mr. Rodrigo Echenique (as executive director)	Mr. Rodrigo Echenique (as other external director)
	Mr Guillermo de la Dehesa (other external director)	Mr Luis Isasi (other external director)
	Mr Ignacio Benjumea (other external director)	Mr Sergio Rial (executive director)

Board committees

The board has made changes to the composition of its committees, in order to continue strengthening their functioning and support to the board in their respective areas of action, according to the best international practices and internal rules and regulations.

The changes effected in 2019 are the following:

- **Executive committee:** Mr Rodrigo Echenique left the committee on 1 May 2019, which resulted in the percentage of independent directors in the committee increasing to 42.8%.
- **Audit committee:** Mr Henrique de Castro and Mrs Pamela Walkden became members on 21 and 29 October 2019, respectively. Mrs Walkden filled the vacancy left by Mr Carlos Fernández. Therefore, the number of committee members has increased from four to five, all of whom are independent directors.
- **Appointments committee:** Mr Rodrigo Echenique and Ms Esther Giménez-Salinas i Colomer became members on 1 May 2019 and 29 October 2019, respectively. Ms Esther Giménez-Salinas i Colomer filled the vacancy left by Mr Carlos Fernández. The number of committee members has increased from four to five.
- **Remuneration committee:** Mr Henrique de Castro became a member of the committee on 29 October 2019. He filled the vacancy left by Mr Carlos Fernández.

These appointments in the appointments and remuneration committees further differentiated their composition, in line with best practice.

- **Innovation and technology committee:** Mr Henrique de Castro became a member of the committee on 23 July 2019.

1.2 Responsible banking as a cornerstone of our corporate governance

Responsible banking has been a key priority in the agenda of our corporate governance during 2019 and will continue to be in the future.

The responsible banking, sustainability and culture committee has a key role in guaranteeing that we have a responsible and sustainable governance and in ensuring that all of our business practices are sound and consistent.

In particular, and in coordination with steering groups on culture and on inclusive and sustainable banking, respectively, in 2019 the committee focused on the two challenges it identified and formulated in September 2018:

- Adapt to the new business environment with the necessary culture, skills, governance, digital and business practices to meet our stakeholders' expectations and do our job with the highest standards.
- Support an inclusive and sustainable growth that helps businesses to create new jobs and eases access to

finance, supporting the low-carbon economy and fostering sustainable consumption.

The responsible banking public commitments that we announced in July 2019, in the context of the above mentioned two challenges, drive the responsible banking, sustainability and culture committee's agenda. In particular, with regard to the challenge to adapt to the new business environment, we have already achieved our commitment to have a representation of women on the board between 40 and 60%. In addition, our succession policy for managerial roles throughout the Group, updated by the board on 27 February 2020, considers diversity as a priority, which puts us in an excellent position to achieve the commitment of having 30% of leadership positions held by women by 2025. Those commitments are covered in the chapter '[Responsible banking](#)'.

The conviction that strong corporate values are essential means to keep working to strengthen our Simple Personal and Fair culture: what we name The Santander Way. At the same time, our purpose of helping people and businesses prosper defines the Group's progress towards our goal of being a responsible bank.

With regard to climate change, one of the most important challenges of this era, we have based our strategy on two main lines of action: reducing our own environmental footprint and supporting our customers to help them transition towards a low carbon economy.

All our activity is guided by policies, principles and frameworks to ensure we behave responsibly in everything we do. These policies are updated on a yearly basis. In 2019, the board, supported by the responsible banking, sustainability and culture committee, reviewed and updated our responsible and sustainable corporate policies, taking into account the latest recommendations and best practices at international level, also ensuring consistency across the Group.

Likewise, in 2020 we will consider the progress in meeting our key public commitments in responsible banking as a qualitative adjustment criterion for senior management's remuneration. See section 6 '[Remuneration](#)'.

The 2018 consolidated statement on non-financial information was verified by an external auditor and submitted for approval to the 2019 AGM receiving a high level support from our shareholders (see section 3.4 '[2019 AGM](#)'). This demonstrates the quality of disclosure and the importance we place on engagement with our stakeholders and on ensuring that the messages in responsible banking, environmental, social and governance (ESG) are well understood by them.

For further information see section 4.9 '[Responsible banking, sustainability and culture committee activities in 2019](#)' and the '[Responsible banking](#)' chapter.

1.3 Achieving our 2019 priorities

The 2018 annual report disclosed our corporate governance goals and priorities for 2019. The following chart describes how we have delivered on each priority.

2019 goals	How we have delivered
<p>Responsible banking</p> <p>Responsible banking will be a higher priority than ever. Our culture and corporate values are essential for long term value creation. For these purposes we will focus on:</p> <ul style="list-style-type: none"> Overseeing our business practices to ensure they are sound and responsible and how we engage with all our stakeholders. Strong governance in decisions relating to sustainability and responsible banking, as well as transparency and disclosure of our non-financial information (environmental, social, prevention of corruption and bribery, ethics, etc.) will also be key matters for the responsible banking, sustainability and culture committee. 	<p>As we mentioned in section 1.2 'Responsible banking as a cornerstone of our corporate governance', the responsible banking, sustainability and culture committee, highly supported by our active culture and inclusive and sustainable banking steering groups, had a key role in the responsible banking agenda during 2019.</p> <p>These efforts in responsible business practices have been recognised by the Dow Jones Sustainability Index, which has acknowledged Santander as the most sustainable bank in the world.</p> <p>Our high standard of transparent disclosure has been ascertained by our stakeholders through the publication in July 2019 of our commitments to adapt ourselves to the new business environment and to support an inclusive and sustainable growth that powers and funds investment in green energy.</p> <p>Guiding principles in responsible banking have been established for our subsidiaries to ensure that the agenda is embedded across the Group.</p>
<p>Strategy</p> <p>In the complex environment of today's financial markets, the success of the Bank requires:</p> <ul style="list-style-type: none"> Understanding that innovation and digital/ technological transformation are a catalyst in our business model and strategy, turning the challenges of technology into opportunities. A close monitoring of emerging and geopolitical risks. 	<p>In 2019, the board and committees' forward-looking agendas were reviewed to ensure appropriate scheduling and time allocation to business strategy. The result has been shared with all the committee chairs to implement as appropriate.</p> <p>Our main strategic lines relating to the digital transformation were discussed, together with other topics, at the Board Strategy Day and were also included in the monthly reports provided by the executive chairman to the board during 2019.</p> <p>Moreover, periodic risk reports, covering not only idiosyncratic risks of the Group, but those arising from macroeconomic trends, including emerging and strategic risks, have been regularly submitted to, and monitored by, the board.</p> <p>Group-wide strategy and digitalization were also supervised by the board during 2019.</p>

2019 goals

How we have delivered

Engagement with investors and other stakeholders

Engagement with investors and other stakeholders, by:

- Providing tailored feedback to all of stakeholders under the leadership of the lead independent director with one-to-one meetings, and meeting their expectations with transparency and reliability. Listening and giving voice to investors will increase the Bank's long term returns.
- Leveraging on the implementation of the European Union shareholders' rights directive and other legislation to enhance and encourage stakeholder relations.

On 27 February 2020 the board of directors approved an update of the policy on communication and engagement with its shareholders and investors.

In 2019, we performed, among others, the following activities to meet investors and other stakeholders needs and expectations:

- Our lead independent director maintained regular contact with investors, particularly during the months prior to the AGM, which allowed us to gather their insights and know their concerns, especially with respect to corporate governance.
- Our Investors Relations department was in constant contact with the institutional investors and analysts, seeking direct contact to enable discussion on shareholder value creation and improvements made to governance, remuneration structures and sustainability matters. See section 3.1 '[Shareholder engagement](#)'.

The proposals for the transposition in Spain of the referred European directive on shareholders' rights, which is still pending, have been monitored, with no significant changes in the Group's practices having been identified so far.

Diversity in the boardroom

A strong and unbreakable commitment to broader diversity will remain a focus for the board and the appointments committee. The updated board skills and diversity matrix will allow any gender and/or other types of imbalance to be addressed. We believe that diversity is not a box to be ticked but a strategy for our success.

Full gender equality in the board of directors was achieved on 29 October 2019 with the appointment of Mrs Pamela Walkden, which enabled us to deliver on the target we had set for 2021 more than one year in advance.

With a view to driving gender diversity, all proposed appointments that are submitted to the appointments committee are now accompanied by a diversity impact analysis as part of the suitability assessment, according to the policy for the selection, suitability and succession of directors. This ensures that diversity is considered a priority in our appointment and succession processes and in all related decisions.

The Group subsidiaries remained also focused on board composition with a view to enhance gender diversity, in line with the target set by the Group.

Ongoing board and committees renewal

Ongoing board and committees renewal will remain a priority for the coming years so that the board and its committees have an appropriate and diverse composition, as well as a balanced tenure.

Throughout 2019, significant work was carried out to ensure that the overall composition and skills of the board of directors and board committees are appropriate. Desired areas of experience were identified and incorporated into board succession and recruitment planning overseen by the appointments committee. Our policy for the selection, suitability assessment and succession of directors provides strong assurance about the appropriate composition of the board of directors.

The appointments of Mr Henrique de Castro and Mrs Pamela Walkden have further strengthened the board and audit committee's international diversity and brings sound experience in technological, digital and banking industries, and a significant audit background. The appointment of Mr Luis Isasi and Mr Sergio Rial that will be submitted to our next AGM will also strengthen financial industry, international and institutional experience within the board.

Section 1.1 '[Renewing the board](#)' describes all the changes and improvements made to the composition of the board and the board committees.

In addition, the tenure of board members remained a key area of focus, ensuring that an appropriate balance between board renewal, continuity and stability was achieved.

Compensation effectiveness

The board and the remuneration committee will continue to focus on shaping compensation structures and schemes for our executives, according to our corporate culture and values, while driving them towards alternative performance metrics.

As part of the annual process, in 2019 the remuneration committee reviewed compensation effectiveness based on the alignment with the corporate culture and values, and with shareholders, employees, applicable regulations, risk and market practice. This backdrop supported the launch in 2019 of new incentive schemes designed to support the ongoing transformation of the Bank and the new business models, and to compete for talent, such as the digital transformation award approved by the 2019 AGM.

1.4 Continued improvement in corporate governance

We keep strengthening our corporate governance framework and will further improve its soundness and effectiveness in the coming years. This is key to successfully fulfilling our mission to become a more responsible bank and to tackle the many challenges that face us in today's digital environment.

That is why, on top of delivering on the priorities set in 2019, we have continued to work to keep improving our corporate governance:

- **Greater transparency:** As mentioned in the ['Introduction'](#) to this annual report and in the introduction of this Corporate governance chapter, in 2019 we took a significant leap forward in terms of improved disclosure, including in relation to corporate governance. This allowed us to use the 2018 annual report as the basis to prepare our Form 20-F for 2018 filed with the Securities Exchange Commission (SEC) in 2019 and our share registration document filed with the CNMV also in 2019.
- **New committee reports:** In line with the desire to provide greater transparency, this corporate governance report provides for the first time reports for the responsible banking, sustainability and culture, and the innovation and technology committees (in addition to the reports of the audit, appointments, remuneration and risk supervision, regulation and compliance committees). See sections [4.9](#) and [4.10](#), respectively.
- **Increased focus on shareholder engagement:** The Bank has always recognized the importance of engagement with its shareholders and investors. To further increase the focus on such engagement we have updated our policy on communication and engagement with shareholders and investors. See section 3.1 ['Shareholder engagement'](#).
- **Improvements in succession processes:** Succession planning is a key element of our good governance as it ensures orderly transitions in leadership and, at the same time, continuity and stability of the board. Based on our experience in succession for key functions, we have strengthened our succession policy for managerial roles throughout the Group, approving its updating by the board on 27 February 2020, and we will also strengthen our policy for the selection, suitability assessment and succession of directors, which its updating will be submitted for approval of the board in March 2020. To that purpose, we retained an independent advisor that ensured compliance with the highest standards.

The changes implemented aim to ensure that we build strong talent pipelines for each function, with the required talent in each case, and to establish diversity as a priority. The process encompasses a yearly activity cycle with well-defined methodology and timelines and a clear allocation of responsibilities, ensuring appropriate involvement of management. For each position included in the process, the strength of the pipeline is determined based on the number and readiness of the suitable candidates, and development and training plans are defined where required. The process includes specified

risk-based effectiveness indicators that are analysed on a yearly basis, and provides for regular final monitoring and reporting to the board.

In 2019, succession plans were set for 301 roles throughout the Group, up from 275 in 2018 and 212 in 2017. Out of the 31 critical positions which became vacant in 2019, 22 of them (71%) were filled with candidates identified in prior year succession plan. 86% of the positions covered by the plan have a strong succession pipeline, meaning that we have identified at least two successors who could potentially be immediately ready or one successor who could potentially be immediately ready and two successors who could potentially be ready in one to two years. See ['Election, renewal and succession of directors'](#) in section [4.2](#).

- **Further insight into the skills of our directors:** In our 2017 annual report we identified each director in our board skills matrix and in that of 2018 we further improved the matrix. This year we have added even more information in the committees skills and diversity matrix, which provides a clear view of the balance of skills, not only in the board, but in each board committee. See ['Committees skills and diversity matrix'](#) in section [4.2](#). In addition, we have reinforced key skills attributed to each director in their profiles under section 4.1 ['Our directors'](#).

1.5 Priorities for 2020

Our board's priorities on corporate governance for 2020 are the following:

- **Santander share**

In the creation of long-term value for shareholders, the board will supervise and support the management team in implementing our strategy so that total shareholder's return appropriately reflects the Group's solvency, results, corporate culture and sustainable growth.
- **Continued strength of succession pipeline**

Succession planning will remain a key priority for 2020 so that it ensures that our pipeline of successors has strength in depth. We will remain proactive in identifying successors, executing appropriate training plans where needed to ensure that any succession event can be dealt with effectively. Our succession planning effectiveness indicators will continue to help us ensure that our efforts in this regard are delivering intended outcomes and that the risks implied in the succession of directors and other key roles are constantly supervised. Regular reporting to the board ensures its awareness of the process, its risks and its results.
- **Designing remuneration policies adapted to the new business environment**

It is essential to implement remuneration structures and schemes for our executives that include environmental, social and governance-related performance indicators

that are simple, transparent, measurable, and aligned with the fulfilment of our public responsible banking commitments.

Ensuring that the remuneration policies are effective and adapted to our culture and corporate values, as well as to the expectations of the investors and other stakeholders, is essential to our strategy for sustainable growth.

- **Fostering communication with shareholders and investors as part of their engagement with the Group**

Furthering our interaction and dialogue with investors through all the channels and engagement activities included in our policy on communication and engagement with shareholders and investors will facilitate the exercise of their rights, the communication of information according to their expectations and the creation of opportunities for them to participate in our corporate governance in an effective and long-term sustainable manner. This will be in accordance with the laws transposing the European directive on shareholders' rights and its implementing regulation.

Maximising the dissemination and quality of the economic-financial information we make publicly available, in a transparent and effective manner, will help us retain long-term trust of our investors and society.

- **Strategy to address risks and opportunities arising from climate change**

We will supervise fulfilment of our public climate change commitments, including environmental criteria in the Group's governance and management of risks, and reporting the progress achieved in this area in a transparent manner.

Transition towards a green economy by financing sustainable projects, namely renewable energy projects that drive a low-carbon economy, and by supporting the development of sustainable and smart infrastructures, will be very important in the board's agenda.

- **At the forefront of national and international best practices**

As part of our commitment to continuously improve corporate governance, in 2020 we will keep monitoring the recommendations of supervisors and guidelines of national and international organisations, so that the functioning and internal regulations of our governing bodies are at all times aligned with best practice.

In particular, we will review the amendments to the Listed Companies' Good Governance Code that may be approved, if any. Its first proposal is aligned with our corporate governance framework in matters such as communication and engagement with shareholders and investors, directors' diversity and suitability assessment, the composition of the executive committee, the board's organization and sustainability.

2. Ownership structure

- Broad, widely distributed and well balanced shareholder base
- A single class of shares
- Authorised capital in line with best practices providing the necessary flexibility

2.1 Share capital

Our share capital is represented by ordinary shares with a par value of 0.50 euros each. All shares belong to the same class and carry the same rights, including in voting and dividends.

There are no outstanding bonds or securities convertible into shares, other than the contingent convertible preferred securities (CCPPS) referred to in the next section 2.2 '[Authority to increase capital](#)'.

At 31 December 2019, the Bank had a share capital of EUR 8,309,057,291 represented by 16,618,114,582 shares.

In 2019, the share capital was altered only once through the capital increase carried out on 10 September 2019 as the result of the public exchange offer for the acquisition of shares of Banco Santander México that the Group did not previously own. At this capital increase, which was approved at an extraordinary shareholders meeting (EGM) held on 23 July 2019, a total of 381,540,640 new shares representing 2.30% of the share capital at 31 December 2019 were issued. See section 3.5 '[2019 EGM](#)'.

We have a broad, widely distributed and balanced shareholder structure. At 31 December 2019, the total number of Santander shareholders was 3,986,093 and the distribution by type of investor, geographic origin and number of shares was as follows:

Shareholder distribution by type of investor

Type of investor	% of share capital
Board ^A	1.08%
Institutional	60.39%
Retail	38.53%
Total	100%

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

Shareholder distribution by continent

Continent	% of share capital
Europe	75.63%
Americas	22.97%
Rest of the world	1.40%
Total	100%

Shareholder distribution by number of shares

Shares	% of share capital
1-3,000	6.97%
3,001-30,000	18.62%
30,001-400,000	11.44%
Over 400,000	62.97%
Total	100%

2.2 Authority to increase capital

Under Spanish law, the authority to increase share capital rests with the general shareholder's meeting (GSM). However, our GSM may delegate to the board of directors the authority to approve or execute capital increases. Our Bylaws are fully aligned with Spanish law, and do not establish any different conditions for share capital increases.

At 31 December 2019, our board of directors had been authorized by the GSM to approve or execute the following capital increases:

- **Authorised capital to 2021:** At our 2018 AGM, the board was authorised to increase share capital on one or more occasions by up to EUR 4,034,038,395.50 (50% of capital at the time of the 2018 AGM or approx. 8,000 million shares representing approximately 48.14% of the share capital at 31 December 2019). This authority was granted for three years (i.e. until 23 March 2021).

The authority can be used for issuances for a cash consideration, with or without pre-emptive rights for shareholders, and for capital increases to back any convertible bonds or securities issued under the authority granted to the board by the 2019 GSM.

The issuance of shares without pre-emptive rights under this authority is capped at EUR 1,613,615,358 (20% of capital at the time of the 2018 AGM or approx. 3,227 million shares representing approximately 19.42% of the share capital at 31 December 2019). This limit is further reduced to 10% of the share capital in connection with capital increases to convert bonds or other convertible securities or instruments. As an exception, these limits for the issuance without pre-emptive rights do not apply to capital increases to allow the potential conversion of contingent convertible preferred securities (which can only be converted into newly-issued shares when the capital equity tier 1 (CET1) ratio falls below a pre-established threshold).

This authority has not been used to date except in connection with the issuances of CCPS of 8 February 2019 and 14 January 2020 mentioned below. The board of directors is proposing to have this authority renewed reducing the limit from 20% to 10% (with an increase only to reflect the amount of capital that has been increased since our 2018 AGM) at our 2020 AGM as it may expire before we hold our 2021 AGM. See section 3.6 '[Our coming 2020 AGM](#)'.

- **Capital increases approved for contingent conversion of CCPS:** We have issued contingent convertible preferred securities that qualify as additional tier 1 instruments for regulatory capital purposes and which would convert into newly-issued shares if the CET1 ratio fall below a pre-established threshold. Each of these issuances is therefore backed by a capital increase approved under the authority to increase capital granted by the GSM to the board in force at the time of the CCPS issuance. The following chart shows the CCPS in circulation as at the date of this report, with details of the capital increases agreements. The execution of these capital increases is therefore contingent and has been delegated to the board of directors. The board of directors has the authority to issue further CCPS and other convertible securities and instruments pursuant to the approval granted by our 2019 AGM which allows the issuance of convertible

instruments and securities up to EUR 10 billion or the equivalent thereof in another currency. Any capital increase to allow the conversion of any such CCPS or other convertible instruments or securities would be approved under the authority indicated under 'Authorised capital to 2021' in this section or any renewal of such authority.

Authority for scrip dividend: Our 2019 AGM approved a capital increase with a charge to reserves to allow the potential implementation of a scrip dividend (under the "*Santander Dividendo Elección*" scheme) as part of the remuneration for shareholders against the results of 2019. As indicated in section 3.3 '[Dividend](#)', the board of directors intends to implement such a scrip dividend against the results of 2019 but is doing so under a resolution submitted to our 2020 AGM as the existing authority will expire on 12 April 2020 and the scrip dividend will be executed after such date. In addition, the board of directors is proposing to have this authority renewed at our 2020 AGM to allow the potential implementation of a scrip dividend as part of the remuneration for shareholders against the results of 2020. See sections 3.3 '[Dividend](#)' and 3.6 '[Our coming 2020 AGM](#)'.

Issues of contingent convertible preferred securities

Date of issuance	Nominal amount	Discretionary remuneration per annum	Conversion	Maximum number of shares in case of conversion ^A
12/03/2014	EUR 1,500 million	6.25% for the first five years	If, at any time, the CET1 ratio of the Bank or the Group is less than 5.125%	345,622,119 ^B
11/09/2014	EUR 1,500 million	6.25% for the first seven years		299,401,197
25/04/2017	EUR 750 million	6.75% for the first five years		207,125,103
29/09/2017	EUR 1,000 million	5.25% for the first six years		263,852,242
19/03/2018	EUR 1,500 million	4.75% for the first seven years		416,666,666
08/02/2019	USD 1,200 million	7.50% for the first five years		388,349,514
14/01/2020	EUR 1,500 million	4,375% for the first six years		604,594,921

A. The figure corresponds to the maximum number of shares that could be required to cover the conversion of the relevant CCPS, calculated as the quotient (rounded off by default) of the nominal amount of the CCPS issue divided by the minimum conversion price determined for each CCPS (subject to any anti-dilution adjustments and the resulting conversion ratio).

B. By means of material facts dated 9 and 15 January 2020, the Bank announced its irrevocable decision to carry out the voluntary early redemption of all of the outstanding CCPS on the next payment date of the corresponding distribution falling on 12 March 2020.

2.3 Significant shareholders

At 31 December 2019, no shareholder of the Bank individually held more than 3% of its total share capital (which is the significant threshold generally established under Spanish regulations for a significant holding in a listed company to be disclosed). While at 31 December 2019 certain custodians appeared in our register of shareholders as holding more than 3% of our share capital, we understand that those shares were held in custody on behalf of other investors, none of which exceeded that threshold individually. These custodians were State Street Bank and Trust Company (14.06%), The Bank of New York Mellon Corporation (8.12%), Chase Nominees Limited (6.38%), EC Nominees Limited (3.97%) and BNP Paribas (3.40%).

In addition, BlackRock Inc. had as of that date informed the CNMV of its significant holding of voting rights in the Bank (5.426%) but had noted in its communications that the corresponding shares were being held on behalf of a number of funds or other investment entities, none of which exceeded 3% individually.

Throughout 2019 BlackRock Inc. informed the CNMV of the following movements regarding its voting rights in the Bank: 6 February, increase above 5%, 17 April, decrease below 5%, 9 May, increase above 5% and, 23 October, decrease below 5%.

It should be noted that there may be some overlap in the holdings declared by the above mentioned custodians and asset manager.

At 31 December 2019, neither our shareholders registry nor the CNMV's registry showed any shareholder resident in a tax haven with a shareholding of 1% or higher of our share capital (which is the other threshold applicable under Spanish regulations).

Our Bylaws and Rules and regulations of the board provide for an appropriate system for analysing and approving related party transactions with significant shareholders. See section 4.12 '[Related-party transactions and conflicts of interest](#)'.

2.4 Shareholders' agreements

In February 2006, a shareholders' agreement was entered into by various persons linked to the Botín-Sanz de Sautuola y O'Shea family whereby a syndicate was created with respect to their Bank's shares. CNMV was informed of the execution of this agreement and the subsequent amendments made by the parties, and this information can be found on CNMV website.

The main provisions of the agreement are the following:

- **Transfer restrictions:** Except when the transferee is also a party to the agreement or the Fundación Botín, any transfer of the Bank's shares expressly included in the agreement requires prior authorisation from the syndicate meeting, which may be granted or denied freely. These transfer restrictions apply to the shares expressly subject to it by virtue of the agreement and to those shares that are subscribed for or acquired by the members of the syndicate in exercise of any subscription, bonus share, grouping or division, replacement, exchange or conversion rights that pertain to, are attributed to or derive from those syndicated shares; and
- **Voting syndicate:** Under the agreement, the parties undertake to syndicate and pool the voting rights attached to all their shares in the Bank, even those not subject to the restrictions on transferability referred above, so that these rights may be exercised, and, in general, the syndicate members will act towards the Bank in a concerted manner, in accordance with the instructions and indications and with the voting criteria and orientation established by the syndicate. This syndication and pooling of voting rights covers not only the shares subject to the transfer restrictions referred above but also any voting rights attached to any other Bank shares held either directly or indirectly by the parties to the agreement, and any other voting rights assigned thereto by virtue of usufruct, pledge or any other contractual title, for as long as they hold those shares or are assigned those rights. For this purpose, representation of the syndicated shares is attributed to the chair of the syndicate, who shall be the chairman of the Fundación Botín (currently Mr Javier Botín-Sanz de Sautuola y O'Shea). Ms Ana and Mr Javier Botín-Sanz de Sautuola y O'Shea are siblings.

The initial term of the agreement ends on 1 January 2056, but it will be automatically extended for further 10-year periods unless terminated by one of the parties with six months prior notice before the end of the initial term or the end of one of the extension periods. The agreement may

only be terminated in advance by unanimous agreement of all the syndicated shareholders.

At 31 December 2019, the parties of the shareholders' agreement held 93,453,560 shares in the Bank (representing 0.56% of its capital at that date), which were therefore subject to the above mentioned voting syndicate. Of this total, 77,220,357 shares in the Bank (0.46% of its capital at the end of 2019) were also subject to above mentioned transfer restrictions.

Subsection A.7 of section 9.2 '[Statistical information on corporate governance required by the CNMV](#)' contains the list of parties to the shareholders' agreement and the identification of the material facts filed with CNMV in connection with the shareholders' agreement.

2.5 Treasury shares

Our current treasury share policy was approved by the board on 23 October 2014. The policy provides that treasury share transactions shall have the following objectives:

- To provide liquidity or a supply of securities, as applicable, in the market for the Bank's shares, giving depth to such market and minimising possible temporary imbalances in supply and demand.
- To take advantage, for the benefit of shareholders as a whole, of situations of share price weakness in relation to medium-term performance prospects.

The policy further establishes that treasury share transactions may not be carried out for the purpose of intervening in the free formation of prices. Therefore, it requires that:

- Orders to buy should be made at a price not higher than the greater of the following two:
 - The price of the last trade carried out in the market by independent persons; and
 - The highest price contained in a buy order of the order book.
- Orders to sell should be made at a price not lower than the lesser of the following two:
 - The price of the last trade carried out in the market by independent persons; and
 - The lowest price contained in a sell order of the order book.

The policy focuses on the discretionary trading of treasury shares. The policy applies partially to trading of treasury shares linked to customer activities, such as market risk hedging and brokerage activities, or hedging for customers.

Transactions with treasury shares are carried out by the Investments and Holdings department, which is isolated as a separate area from the rest of the Bank's activities and protected by the respective Chinese walls, preventing it from receiving any inside or relevant information.

Trading in treasury shares was last authorised at our 2019 AGM. This authorisation permits the acquisition of treasury shares provided that the shares held at any point in time do

not exceed the legal limit provided for under the Spanish Companies Act (currently, 10% of the Bank's share capital).

The authorization further requires that acquisitions are made at a price that is not lower than the nominal value of the shares and does not exceed the last trading price in the Spanish market for a transaction in which the Bank was not acting for its own account by more than 3%.

The aforementioned resolution also authorized the acquisition of shares to be held in treasury with the express possibility of executing share repurchases to reduce the number of shares in issue, should market conditions make such action advisable. Any such share repurchases may also be made in conjunction with a scrip dividend, should such a dividend be deemed appropriate.

The board of directors is proposing to have this authority renewed at our 2020 AGM. See section 3.6 '[Our coming 2020 AGM](#)'.

As at 31 December 2019, the Bank and its subsidiaries held 8,430,425 shares representing 0.051% of the share capital at that date (compared to 12,249,652 at 31 December 2018, representing 0.075% of our Bank's share capital).

The following chart summarises the monthly average percentages of treasury shares between 2019 and 2018.

Monthly average percentages of treasury shares^A

% of the Bank's share capital at month end		
	2019	2018
January	0.07%	0.04%
February	0.02%	0.03%
March	0.01%	0.02%
April	0.01%	0.04%
May	0.02%	0.05%
June	0.02%	0.07%
July	0.02%	0.07%
August	0.03%	0.07%
September	0.04%	0.07%
October	0.04%	0.07%
November	0.05%	0.07%
December	0.05%	0.07%

A. Monthly average of daily positions of treasury shares.

In 2019, trading of treasury shares by the Bank and its subsidiaries involved:

- The purchase of 226,681,642 shares equivalent to a par value of EUR 113.3 million (cash amount of EUR 927.6 million) at an average purchase price of EUR 4.09 per share;
- The sale of 230,500,869 shares equivalent to a par value of EUR 115.3 million (cash amount of EUR 947.4 million) at an average price of EUR 4.11 per share; and
- A net loss for the Group of EUR 6,282,500 that has been recognised in the Group's equity under shareholders' equity-reserves.

The following chart reflects the significant changes in treasury stock during the year, which have been communicated to the CNMV.

Significant changes in treasury stock during 2019

Notification date	Total of acquired direct shares	Total of acquired indirect shares	Total % of share capital ^A
07/02/2019	156,794,393	6,103,283	1.00%
06/11/2019	149,243,500	21,297,685	1.03%

A. Percentage calculated with the existing share capital at the date of the notification.

2.6 Stock market information

Markets

The Bank's shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia, with trading symbol SAN), the New York Stock Exchange (NYSE) (in the form of American Depositary Shares, 'ADS', with trading symbol SAN and where each ADS represents one share of the Bank), the London Stock Exchange (in the form of Crest Depositary Interests, 'CDI', with trading symbol BNC and where each CDI represents one share of the Bank), the Mexican Stock Exchange (with trading symbol SAN) and the Warsaw Stock Exchange (with trading symbol SAN).

Share price performance

The main markets improved during the year. In Spain, the Ibx 35 benchmark index increased by 11.8% and in Europe the DJ Stoxx 50 rose by 23.3%.

In a context of economic slowdown, the European banking sector was initially affected by the monetary policies of the main central banks, namely that of the European Central Bank (ECB), which delayed the increase of interest rates beyond 2020. The optimism arising in connection with a potential trade agreement between China and the USA raised market prices at the end of the year.

The main European banking benchmark index, DJ Stoxx Banks, increased by 8.2% while the MSCI World Banks increased by 16.4%. The Bank's shares closed 2019 at 3.73 euros per share, which represents a 6.1% decrease, also affected by some uncertainties in geographies where Santander operates such as Argentina, Chile, UK and Poland.

Market capitalisation and trading

As at 31 December 2019, Santander was the second largest bank in the Eurozone in terms of market capitalisation (EUR 61,986 million) and ranked 25th worldwide. During 2019, a total number of 19,334 million Santander shares were traded for a total cash amount of EUR 77,789 million, which is the highest figure of shares belonging to the Eurostoxx, with a liquidity ratio of 118%.

The Santander share

	2019	2018
Shares (million)	16,618.1	16,236.6
Price (EUR)		
Closing price	3.730	3.973
Change in the price	-6.1%	-27.5%
Maximum for the period	4.682	6.093
Date of maximum for the period	17/4/2019	26/1/2018
Minimum for the period	3.386	3.800
Date of minimum for the period	9/3/2019	27/12/2018
Average for the period	3.963	4.844
End-of-period market capitalisation (EUR million)	61,986	64,508
Trading		
Total volume of shares traded (million)	19,334	19,040
Average daily volume of shares traded (million)	75.8	74.7
Total cash traded (EUR million)	77,789	95,501
Average daily cash traded (EUR million)	305,1	374,5

3. Shareholders. Engagement and shareholders meeting

- One share, one vote, one dividend
- No takeover defences in our Bylaws
- High participation and engagement of shareholders in our AGM

3.1 Shareholder engagement

Policy on communication and engagement with shareholders and investors

On 27 February 2020, the board of directors approved a review of the policy on communication and engagement with shareholders and investors, which underscores our commitment to transparency of information, communication and engagement with them and the capital markets in general.

The Bank's objectives are to ensure the alignment of the its interests with those of our shareholders, the creation of long-term share value, and to gain and retain the long-term trust of investors and society in general and, to that end:

- We provide information to shareholders and investors that satisfies their expectations and aligns with our corporate culture and values.
- To communicate and engage with them on an ongoing basis, ensuring that their views are considered by the senior management.

The policy applies to communication with shareholders and investors, and also with those agents to whom they look for advice, recommendations or orientation such as analysts (including financial and environmental, social and governance analysts), proxy advisors and rating agencies, as the interaction with those agents to be a vital part of communication and engagement with shareholders and investors.

The policy states the following principles for the Bank's engagement and communication with shareholders and investors:

- **Protection of rights and lawful interests of all shareholders**, facilitating the exercise of their rights, sharing of information in their favour and the creation of opportunities for effective involvement in our corporate governance and the activities of the Bank effectively.
- **Equal treatment and non-discrimination**, treating all investors equally.
- **Fair disclosure**, ensuring that any information dealt with in the context of interactions with investors is disclosed in a transparent, truthful and balanced manner in accordance with applicable rules. All information that is deemed inside or relevant, in any manner shared with investors

will have been previously disclosed except when applicable regulation provides otherwise.

- **Disclosure of information in a relevant manner.** We address the information appropriate and relevant to our investor's needs, aligning its reporting and disclosure with their expectations. We ensure that the information is presented in a rational and organised manner, tailored to shareholder, and that it is clear, comprehensible, concise and accurate
- **Compliance with statutory provisions and our corporate governance rules**, and with the principles of cooperation and transparency with the competent regulatory or supervisory institutions, with due consideration at all times for the guidelines laid down by our Compliance and Conduct function. We pay particular attention to the rules on handling of insider and material information under applicable laws and regulations and our own regulations set out in our Code of Conduct in Securities Markets, the General Code of Conduct and the Rules and regulations of the board of directors.

The policy further describes:

- The **roles and responsibilities** of the main bodies and functions within the Bank that participate in communication and engagement with shareholders and investors;
- The **channels for information** disclosure to, and communication with, shareholders and investors; and
- The **types of engagement** by the Bank with shareholders and investors, which are covered below.

The policy on communication and engagement with shareholders and investors is available to the general public on the Bank's website.

Engagement with shareholders in 2019

The following engagement activities have been carried out during the year putting into practice the above mentioned policy:

- **The annual general meeting.** We consider our AGM as the most important annual corporate event for our shareholders. For that reason we strive to encourage the informed attendance and participation of our

shareholders wherever they are based. See 'Participation of shareholders at the GSM' and 'Right to receive information' in section 3.2.

During the AGM the chairman reports, in sufficient detail, on the most relevant developments during the year of the Group's corporate governance, supplementing the corporate governance report, and addresses any questions that shareholders may pose during the course of the meeting in connection with the matters included in the agenda.

The chairmen of the audit, appointments and remuneration committees also report to the AGM on the tasks of those committees, supplementing the information on the committees' activities provided in this Corporate governance chapter.

Shareholders are entitled to attend the GSM either physically or remotely. We broadcast our GSMs live on our corporate website. This allows non-attending shareholders, other investors and stakeholders in general, to be fully informed of the discussions and results.

The record quorum and outstanding voting results in our 2019 AGM show the importance we put on engagement through our GSMs. See section 3.4 '[2019 AGM](#)'.

In 2019 we also held an EGM which had a very high quorum and a broad support to the proposals of resolutions submitted for approval. See section 3.5 '[2019 EGM](#)'.

- **Quarterly results presentations:** Each quarter we hold a results presentation on the same day as the results' publication, which can be followed live, via conference call or webcast. The corresponding financial report and as well as presentation material are available to the public on the day in advance of the market opening. During the presentation, it is possible to ask questions or send them via email to: investor@gruposantander.com.

Our most recent event was the 2019 Results Presentation on 29 January 2020. During 2019, the first, second and third quarter results presentations took place on 30 April, 23 July and 30 October, respectively.

- **Investor and strategy days:** We also organise investor and strategy days. In these events, our senior management lays out our strategy for investors and stakeholders in a broader context than what results presentations typically allow. These events also allow investors to have direct interaction with senior management and some of our directors, something we see as increasingly important and further underscore the strength of our governance. In line with the CNMV recommendations, announcements of meetings with analysts and investors and the documentation to be used at those meetings are published in advance by the Bank. Our last Investor Day took place on 3 April 2019 in London. The information made available during investor day is not incorporated by reference in this annual report nor otherwise considered to be a part of it.
- **Meetings and conferences:** The Shareholders and Investor Relations team attends group or individual

meetings with Investors at conferences arranged by third parties, discussing general or financial issues.

Without prejudice to the above principle of equal treatment and non-discrimination, our experience is that, when it comes to communicating with investors, one size does not fit all. Therefore, and as regards our investors (including, mainly the institutional, but also fixed-income investors, analysts and rating agencies) we tailor, among others, the following engagement activities to meet their needs and expectations:

- **Lead independent director engagement with key investors:** Our lead independent director, Mr Bruce Carnegie-Brown, maintains regular contact with investors in Europe and North America, particularly during the months prior to our AGM, allowing us to gather their insights and to form an opinion about their concerns, especially in connection with our corporate governance. During 2019 and early 2020 he met with 38 investors, totalling 30% of share capital, in eight different cities. The contribution of our lead independent director to the incorporation of international best practices in our corporate governance, the development of relations with institutional investors and the provision of tailored feedback to them is highly valued by the other directors in our annual board self-assessment. The views received from investors are duly considered by the appointments committee..

- **Investor roadshows:** Our Shareholders and Investors Relations department is in constant contact with our institutional investors and analysts, seeking direct contact to provide all-round discussion on shareholder value, improvements to governance and remuneration structures and sustainability matters.

During 2019 they had 3,507 contacts with 699 institutional investors in 60 locations. Those included 140 roadshows, 855 one-on-one meetings, 316 group meetings and 25 telephone calls. The team engaged with 41.8% of share capital, which is more than 70% of the capital held by institutional investors.

More than 800 communications were launched in 2019 to strengthen communication and transparency with our shareholders and investors, informing them about the Group's performance, results and Santander share.

We also offer other means of communication especially geared towards retail shareholders regardless of the size of their stake:

- **Shareholder and Investor Relations team,** as part of our exercise of openness towards our retail shareholders, during 2019 had 1,739 contacts in 97 locations, including 322 forums and meetings in which they were informed about the latest results and the Group's strategy and the evolution of the share. Our Shareholders team has personally attended to 16,428 shareholders representing 8.2% of the Bank's share capital in roadshows and one-on-one group meetings.

In addition, in 2019, responded to 133,939 queries received via our shareholder and investor helplines, mailboxes, WhatsApp and one-on-one meetings held through the Virtual Customer Channel. Achieved a 96% recommendation of the attention service obtained.

Lastly, in 2019, 40,924 shareholder and investor opinions were received through quality surveys and studies.

Communication with proxy advisors and other analyst and influencers

Lastly, as indicated above, we have always recognised the value that our investors place on having an open and proactive dialogue with proxy advisors, environmental, social and governance analysts and other influencers. We ensure that our corporate governance, responsible banking and sustainability priorities and messages are well understood by those players, so that these are well communicated to the investors.

In particular, dialogue with proxy advisors has gained significant importance as they are increasingly setting the standards in corporate governance matters. Therefore, through open dialogue we ensure in-depth knowledge of our corporate governance and remuneration practices and markets in which we operate.

In 2019, we had appropriately strengthened both its communication and engagement with proxy advisors, taking into account their opinions concerning corporate governance, and having provided them with any information or clarification required in relation to any proposed resolution submitted for the AGM and the EGM, so that they were enabled to properly set out their voting recommendations.

Corporate website

At the end of 2019, we redesigned our corporate website to improve the effectiveness of our communication with shareholders and, in general, with all our stakeholders at a global scale. The site's new design enables us to be transparent and, at the same time, it improves the experience of users visiting it to obtain accurate and quality information about the Bank.

Our corporate website includes information on corporate governance as required by law. In particular, it includes (i) the key internal regulations of Banco Santander (Bylaws, Rules and regulations of the board, Rules and regulations for the GSM, etc.); (ii) information on the board of directors and its committees as well as the professional biographies of the directors and (iii) information relating to the GSMs.

The link to our information on corporate governance is: <https://www.santander.com/en/shareholders-and-investors/corporate-governance>. This link is included for informational purposes only. The content of our corporate website is not incorporated by reference in this annual report or otherwise considered to be a part of it.

3.2 Shareholder rights

Our Bylaws provide for only one class of share (ordinary shares), granting all holders the same rights. Each Santander share entitles the holder to one vote.

The Bank does not have any defensive mechanisms in the Bylaws, fully conforming to the principle of one share, one vote, one dividend.

In this section we highlight certain key features available to our shareholders.

No restrictions on voting rights or on the free transfer of shares in our Bylaws

There are no legal or bylaw restrictions on the exercise of voting rights except for those resulting from the failure to comply with applicable regulations as indicated below.

There are no non-voting or multiple-voting shares, or shares giving preferential treatment in the distribution of dividends, or shares that limit the number of votes that can be cast by a single shareholder, or quorum requirements or qualified majorities other than those established by law.

There are no restrictions on the free transfer of shares other than the legal ones indicated in this section.

The transferability of shares is not restricted by our Bylaws or in any other manner other than by the application of legal and regulatory provisions. In addition, there are no bylaw restrictions on the exercise of voting rights (except where an acquisition has been made in breach of legal or regulatory provisions).

Further, the Bylaws do not include any neutralisation provisions (as these are referred to in Spanish Securities Market Law), which apply in the event of a tender offer or takeover bid.

Please also note that the shareholders' agreement referred to in section 2.4 '[Shareholders' agreements](#)' contains transfer and voting restrictions on the shares subject to that agreement.

Legal and regulatory restrictions on the acquisition of significant holdings

There are legal and regulatory provisions applicable to the Bank because the banking activity is a regulated sector (which involves that the acquisition of significant holdings or influence is subject to regulatory approval or non-objection) and because of the Bank's status as a listed company (which involves that a tender offer or takeover bid for the Bank's shares must be launched for the acquisition of control and other similar transactions).

The acquisition of significant ownership interests is regulated mainly by:

- Regulation (EU) 1024/2013 of the Council of 15 October 2013, conferring specific tasks on the ECB relating to the prudential supervision of credit institutions;
- Spanish Securities Markets Law; and
- Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions (articles 16 to 23) and its implementing regulation, Spanish Royal Decree 84/2015, of 13 February.

The acquisition of a significant stake in the Bank may also require the authorisation of other domestic and foreign regulators with supervisory powers over the Bank's and its subsidiaries' activities and shares listings or other actions in connection with those regulators or subsidiaries.

Participation of shareholders at the GSM

All registered holders of shares on record, at least five days prior to the day on which a GSM is scheduled to be held, are entitled to attend. The Bank allows shareholders to exercise their rights to attend, delegate and vote using remote

communication systems, which also foster participation in the GSM.

Another communication channel is the electronic shareholders' forum. This forum is available on our Bank's corporate website at the time of the meeting. It allows shareholders to post supplementary proposals to the agenda announced in the call notice, along with requests for support for those proposals, initiatives aimed at reaching the percentage required to exercise any of the minority shareholder rights provided for by law, as well as offers or requests to act as a voluntary proxy.

Supplement to the meeting call

Shareholders representing at least 3% of the share capital may request the publication of a supplement to the AGM call with a statement of the name of the shareholders exercising this right and of the number of shares held by them, as well as the items to be included on the agenda, attaching a rationale or substantiated proposal for resolutions concerning these items and, if appropriate, any other relevant documentation.

Shareholders representing at least 3% of the share capital may also submit duly grounded resolutions concerning matters that have already been included or to be included, relating to one or more items on the agenda.

These rights must be exercised by means of a certified notice that must be received by the Bank's registered office within five days after the publication of the notice of the call to meeting.

Right to receive information

From the publication of the call to the GSM until the fifth day, inclusive, prior to the date for which the meeting has been called at first call, shareholders may deliver written requests for information or clarifications, or submit written questions on issues they consider to be relevant concerning the items on the meeting agenda. In addition, in the same manner and within the same period, shareholders may deliver written requests for clarifications concerning the relevant information that the Bank has provided to the CNMV since the last GSM was held or concerning the auditor's reports. The requested information and the answers provided by the Bank are published on its corporate website.

Additionally, this information right may be exercised in the meeting itself but when it is impossible to satisfy the shareholder's right during the course of the meeting, or those requests made by remote attendees at the meeting, the appropriate information is provided in writing within seven days following after the end of the GSM.

Quorum and majorities required for passing resolutions at the GSM

The quorum required to hold a valid general shareholders' meeting and the system for adopting resolutions set out in our Bylaws and in the Rules and regulations for the Bank's GSM are the same as those set down by Spanish law.

Except for specific matters as indicated below, the quorum on first call shall be met by the attendance of shareholders representing at least twenty five per cent of the subscribed share capital with the right to vote. If a sufficient quorum is

not available, the GSM shall be held on second call, where no minimum quorum is required.

For purposes of determining the quorum, shareholders who vote by mail or through electronic means before the meeting are counted as present at the meeting, as provided by the Rules and regulations for the Bank's GSM.

Except for specific matters as indicated below, resolutions at GSMs are passed when, with respect to the voting capital present or represented at the meeting, the number of votes in favour is higher than the number of votes against.

The quorum and majorities required for Bylaws amendments, issuances of shares and bonds, structural modifications and other significant resolutions provided for in applicable law are those set out below for Bylaws amendments. In addition, pursuant to the rules applying to credit institutions, the increase above 100% (up to 200%) of the ratio of the variable remuneration components over the fixed ones for executive directors and other key function holders requires a qualified majority of two thirds if there is a quorum of more than 50% of the share capital, and a majority of three quarters if there is not such a quorum.

Our Bylaws do not require any decisions that entail an acquisition, disposal or contribution to another company of core assets or other similar corporate transactions to be subject to the approval of the GSM, except in those cases established by law.

Rules governing amendments to our Bylaws

The GSM has the power to approve any amendment of the Bylaws, except for the change in the location of the registered office within Spain, which may be decided by the board.

If the Bylaws are to be amended by the GSM, the Bank's board or, where appropriate, the shareholders tabling the resolution, must draft the complete text of the proposed amendment along with a written report justifying the proposed change, which must be provided to shareholders with the call notice for the meeting at which the proposed amendment will be voted on.

Furthermore, the call notice for the GSM must clearly set out the items to be amended, detailing the right of all shareholders to examine the full text of the proposed amendment and accompanying report at the Bank's registered office, and to request that these documents be delivered or sent to them free of charge.

If the shareholders are called upon to deliberate on amendments to the Bylaws, the required quorum on first call shall be met by the attendance of shareholders representing at least fifty per cent of the subscribed share capital with the right to vote. If a sufficient quorum is not available, the GSM shall be held on second call, where at least twenty-five per cent of the subscribed share capital with voting rights must be present.

When shareholders representing less than fifty per cent of the subscribed share capital with the right to vote are in attendance, the resolutions on amendments to the Bylaws may only be validly adopted with the favourable vote of two-thirds of the share capital present in person or by proxy at the meeting. However, when shareholders representing fifty per cent or more of the subscribed share capital with

the right to vote are in attendance, resolutions may be validly adopted by absolute majority.

Any changes to the Bylaws involving new obligations for shareholders must have the consent of those affected.

Authorisation is required under the Single Supervisory Mechanism (SSM) to amend our Bylaws. However, the following amendments are exempt from this authorisation procedure, although they must be reported to the SSM: those intended to reflect a change in registered office within Spain, a capital increase, additions to the wording of the Bylaws of legal or regulatory requirements of an imperative or prohibitive nature, wording changes to comply with court or administrative rulings and any other amendments which the SSM has ruled to be exempt from authorisation due to a lack of materiality in response to prior consultations submitted to it for this purpose.

3.3 Dividends

Remuneration against 2019 results

In February 2019, the board of directors announced that its intention was to set a pay-out ratio of 40-50% of the underlying profit in the mid-term, increasing it from a pay-out ratio of 30-40%; that the proportion of dividend paid in cash would not be lower than that of 2018; and, as was announced in the 2018 AGM, to make two payments against the results of 2019:

- **Interim dividend.** In September 2019 the board of directors approved its first dividend against 2019 results earnings of €0.10 per share, which was entirely paid in cash from 1 November 2019. The amount was equal to the sum of the interim dividends paid in 2018 in August (€0.065) and November (€0.035) and reflected the change in policy from four dividend payments to two.
- **Final remuneration.** The board of directors has resolved to submit to the 2020 AGM that the second payment of remuneration against the results of 2019 amounts to 0.13 euros per share by means of (1) a final dividend in cash of 0.10 euros per share (the 'Final Cash Dividend') and (2) a scrip dividend (under the '*Santander Dividendo Elección*' scheme) (the 'SDE Scheme') that will entail the payment in cash, for those shareholders who choose so, of 0.03 euros per share. See 'Authority for scrip dividend' in section 2.2 and section 3.6 '[Our coming 2020 AGM](#)'.

If shareholders approve this proposal, the percentage of 2019 underlying attributable ordinary profit applied to shareholder remuneration (payout) will be 46.3% (within the 40-50% range indicated at the beginning of 2019) and the proportion of cash dividend will be 89.6%, assuming a ratio of cash options in the SDE Scheme of 80% (thus exceeding that of 2018, also as announced at the beginning of the year). This proposal entails an annual increase in the cash dividend of c. 3% as compared to the one charged to the 2018 results (0.195 euros per share against 2018 versus 0.20 euros per share against 2019), even without considering the cash paid under such option in the SDE Scheme.

Remuneration against 2020 results

As for the remuneration against 2020 results, the intention of the board of directors, in line with the remuneration agreed in 2019, is to maintain the one set for the 2019 results: to maintain the announced pay-out ratio of 40-50% of the underlying profit in the mid-term; that the proportion of dividend paid in cash is not lower than that of 2019; and to make two payments against the results of 2020. In the same vein, the board is proposing to our 2020 AGM to retain the flexibility it has had in 2019 in determining shareholder remuneration by:

- Proposing to retain the option to use a scrip dividend, in view of its significant acceptance, especially among our retail shareholders, and to allow the required flexibility to be able to take advantage of the opportunities for profitable growth in our markets, proposed by the Board. See section 3.6 '[Our coming 2020 AGM](#)'. This could be combined with share repurchases to satisfy the maximum number of institutional, retail and shareholders, with the target of maximizing earnings per share.
- Proposing to renew the authorization obtained in the 2019 AGM for the acquisition of shares to be held in treasury with the express possibility of executing share repurchases to reduce the number of shares in issue, should market conditions make such action advisable. Any such share repurchases may also be made in conjunction with the scrip dividend referred to above, should market conditions make it appropriate. See section 2.5 '[Treasury shares](#)' and section 3.6 '[Our coming 2020 AGM](#)'.

This will provide the board with the required flexibility to determine whether or not to use these mechanisms.

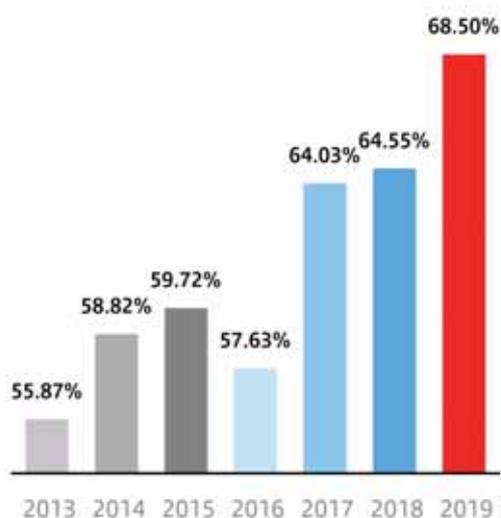
3.4 2019 AGM

- Record quorum of 68.50%
- Corporate management of the Bank in 2018 approved with 99.75 % voting in favour
- 2018 annual report on directors remuneration approved with 94.41% voting in favour
- No opposing vote of more than 15.57%

Quorum and attendance

The quorum for the annual general meeting of 2019 rose to 68.50%, our highest to date.

Quorum at annual general shareholders' meetings



The breakdown of the quorum was as follows:

2019 AGM quorum breakdown

Physically present and remote attendance	0.767%
By proxy	
Cast by post or directly	61.104%
By electronic means	4.206%
Remote voting	
Cast by post or directly	1.860%
By electronic means	0.568%
Total	68.505%

Voting results and resolutions

All items in the agenda were approved. The average percentage of votes in favour of proposals submitted by the board was 94%.

The following chart summarises the resolutions approved at the 2019 AGM and the voting results:

	VOTES ^A				Quórum ^F
	For ^B	Against ^C	Blank ^D	Abstention ^E	
1. Annual accounts and corporate management					
1A. Annual accounts and directors' reports for 2018	99.82	0.18	0.08	3.59	68.50
1B. Consolidated statement of non-financial information for 2018	99.80	0.20	0.08	3.60	68.50
1C. Corporate management 2018	99.75	0.25	0.08	5.47	68.50
2. Application of results	99.80	0.20	0.08	3.38	68.50
3. Appointment, re-election or ratification of directors					
3A. Setting of the number of directors	99.72	0.28	0.09	3.75	68.50
3B. Appointment of Mr Henrique de Castro	99.39	0.61	0.09	3.82	68.50
3C. Re-election of Mr Javier Botín-Sanz de Sautuola	97.63	2.36	0.10	3.77	68.50
3D. Re-election of Mr Ramiro Mato	99.35	0.65	0.09	3.81	68.50
3E. Re-election of Mr Bruce Carnegie-Brown	84.43	15.57	0.09	7.44	68.50
3F. Re-election of Mr. José Antonio Álvarez	99.32	0.68	0.09	3.81	68.50
3G. Re-election of Ms Belén Romana	99.36	0.64	0.10	3.76	68.50
4. Re-election of the external auditor for Financial Year 2019	99.79	0.21	0.09	3.40	68.50
5. Authorisation to acquire treasury shares	97.85	2.15	0.08	3.44	68.50
6. Increase in share capital. Offer to acquire bonus share rights at a guaranteed price	99.58	0.42	0.08	3.38	68.50
7. Delegation to the board of the power to increase share capital to issue all kinds of fixed-income securities, preferred interests or debt instruments of a similar nature (including warrants) that are convertible	93.08	6.92	0.08	3.43	68.50
8. Delegation to the board of the power to increase share capital to issue all kinds of fixed-income securities, preferred interests or debt instruments of a similar nature (including warrants) that are no convertible	96.87	3.13	0.08	3.44	68.50
9. Directors' remuneration policy	95.40	4.60	0.10	3.84	68.50
10. Maximum total annual remuneration of directors in their capacity as directors	96.76	3.24	0.09	3.83	68.50
11. Maximum ratio of fixed and variable components in the total remuneration of executive directors	98.72	1.27	0.09	3.81	68.34
12. Remuneration plans which entail the delivery of shares or share options:					
12A. Deferred multiyear objectives variable remuneration plan	97.76	2.24	0.10	3.80	68.50
12B. Deferred conditional variable remuneration plan	98.43	1.57	0.10	3.80	68.50
12C. Digital Transformation Award	99.25	0.75	0.10	3.79	68.50

	VOTES ^A				Quórum ^f
	For ^B	Against ^C	Blank ^D	Abstention ^E	
12D. Group buy-out policy	99.13	0.87	0.11	3.83	68.50
12E. Plan for employees of Santander UK Group Holdings and other companies of the Group in the UK	99.40	0.60	0.10	3.79	68.50
13. Authorisation to implement the resolutions approved	99.76	0.24	0.08	3.38	68.50
14. Annual directors' remuneration report	94.41	5.59	0.11	3.43	68.50
15. Corporate action to demand director liability ⁽⁵⁾	0.001	99.999	0.00	3.86	66.07
16 to 29. Dismissal and removal of directors ⁽⁶⁾	0.001	99.999	0.00	3.86	66.07

A Each Banco Santander share corresponds to one vote.

B Percentage over for and against votes.

C Percentage over share capital present and attending by proxy at the AGM.

D Percentage over Banco Santander's share capital as of the date of the AGM.

E Item not included in the agenda.

F Items 16 to 29, not included in the agenda, were submitted to a separate vote. Each item refers to the proposal for dismissal and removal of each director in office at the AGM.

The full texts of the resolutions adopted at the 2019 AGM can be viewed on the Group's corporate website and on the CNMV's website, since they were filed as a significant event on 12 April 2019.

Shareholder communications

In line with the policy on communication and engagement with its shareholders and investors, in 2019 Banco Santander continued to strengthen communications with, and service to, its shareholders and investors in the context of the 2019 AGM.

Communication with its shareholders and investors

Telephone service lines	9,272 queries addressed
Shareholder and investor mailbox	1,059 e-mails answered
WhatsApp	12 queries addressed

3.5 2019 EGM

An extraordinary general meeting was held on 23 July 2019 (2019 EGM) to approve a capital increase for the purpose of completing the public exchange offer for the acquisition of shares of Banco Santander México that the Group did not previously own (representing 24.95% of Santander Mexico's capital at the time).

The board of directors received shareholder authorisation to increase that share capital by issuing and putting into circulation new shares, that were to be fully subscribed and paid-up through non-cash contributions consisting of Santander Mexico shares, for up to €2,560 million.

The capital increase was executed in September 2019 as part of the completion of the above mentioned exchange offer. A total of 381,540,640 new shares were issued representing 2.30% of the share capital at 31 December 2019.

Quorum and attendance

The quorum for the 2019 EGM was 59.22%.

Voting results and resolutions

All items in the agenda were approved. The average percentage of votes in favour of proposals submitted by our board was 99.72%.

The full text of the resolutions adopted at the 2019 EGM can be viewed on the Group's corporate website and on the CNMV's website, since they were filed as a significant event on 23 July 2019.

3.6 Our coming 2020 AGM

The board of directors has agreed to call the 2020 annual general shareholders' meeting on 2 or 3 April, at first or second call respectively, with the following proposed resolutions.

- **Annual accounts and corporate management.** To approve:
 - The annual accounts and the directors reports of the Bank and its consolidated Group for the financial year ended 31 December 2019. For further information see '[Consolidated financial statements](#)'.
 - The consolidated non-financial statement for the financial year ended 31 December 2019, forms part of this consolidated directors' report. See '[Responsible banking](#)' chapter.
 - The corporate management for the financial year ended 31 December 2019.
 - The application of results obtained during financial year 2019. See section 3.3 '[Dividend](#)'.
- **Appointment of directors.**
 - Set the number of directors at 15, within the maximum and minimum limit established by the Bylaws.
 - Appointment of Mr Luis Isasi as an external director and of Mr Sergio Rial as an executive director, ratification of Mrs Pamela Walkden as an independent director (see section 1.1 '[Renewing the Board](#)') and re-election for a three-year period of Ms Ana Botín-Sanz de Sautuola, Mr Rodrigo Echenique, Ms Esther Giménez-Salinas and Ms Sol Daurella. See section 4.1 '[Our directors](#)'.

- **External auditor.** To re-elect the firm PricewaterhouseCoopers Auditores, S.L. (PwC), as external auditor for the financial year 2020. See 'External auditor' in section [4.5](#).
- **Authorisation to acquire treasury shares.** See section 2.5 '[Treasury shares](#)' and section 3.3 '[Dividends](#)'.
- **Increases in share capital via scrip dividend.** See section 3.3 '[Dividends](#)'.
- **Authority to issue shares.** To delegate to the board of directors the authority to increase the share capital on one or more occasions and at any time, within a period of three years. See section 2.2 '[Authority to increase capital](#)'.
- **Authority to issue non-convertible securities.** To delegate to the board of directors the authority to issue debentures, bonds, preferred interests and other fixed income securities or debt instruments of a similar nature that are convertible into shares of the Bank.
- **Remuneration policy.** To approve the Bank's directors remuneration policy for 2020, 2021 and 2022. For further information see section 6.4 '[Directors remuneration policy for 2020, 2021 and 2022 that is submitted to a binding vote of the shareholders](#)'.
- **Remuneration of directors.** To approve the fixed annual amount of remuneration for directors in their capacity as such. For further information see section 6.4 '[Directors remuneration policy for 2020, 2021 and 2022 that is submitted to a binding vote of the shareholders](#)'.
- **Variable remuneration.** To approve a maximum ratio of 200% between the variable and fixed components of the total remuneration for executive directors and certain employees belonging to professional categories that have a material impact on the Group's risk profile. For further information see section 6.4 '[Directors remuneration policy for 2020, 2021 and 2022 that is submitted to a binding vote of the shareholders](#)'.
- **Remuneration plans.** To approve the implementation of remuneration plans involving the delivery of shares or share options or referenced to the value of shares. For further information see section 6.4 '[Directors remuneration policy for 2020, 2021 and 2022 that is submitted to a binding vote of the shareholders](#)'.
- **Annual directors' remuneration report.** To provide a consultative vote on the annual directors' remuneration report. For further information see section 6 '[Remuneration](#)'.

The related documents and information shall be available for viewing on the Bank's corporate website (www.santander.com) as from the date of publication of the announcement of the call to meeting. Likewise, the Bank will provide a live broadcast of our 2020 AGM, as it did with the 2019 AGM.

Given that attendance to the 2020 AGM is not remunerated, it is not necessary to establish a general policy in this respect. Notwithstanding the above, and as has been a tradition for decades, the Bank offers attendees of the AGM a commemorative courtesy gift.

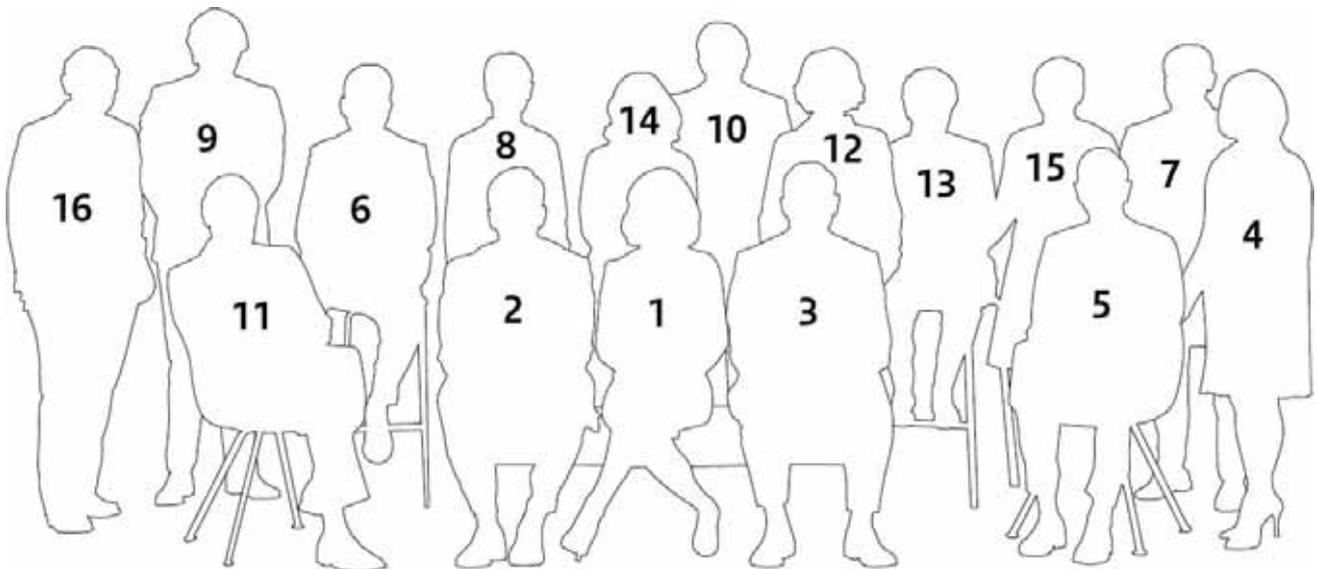
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4. Board of directors

- **A committed, balanced and diverse board**
 - Of the 15 directors, 13 are non-executive and two are executive
 - Majority of independent directors
 - Balanced presence of both genders (40%-60%)
- **Effective governance**
 - Thematic committees supporting the board
 - The responsible banking, sustainability and culture committee shows the board's commitment to these matters
 - Complementary functions and power balance: executive chairman, CEO and lead independent director



1. **Ms Ana Botín-Sanz de Sautuola y O'Shea**
Group Executive chairman. Executive director
2. **Mr José Antonio Álvarez Álvarez**
Vice chairman and chief executive officer (CEO).
Executive director
3. **Mr Bruce Carnegie-Brown**
Vice chairman and lead independent director. Non-
executive director (independent)
4. **Ms Homaira Akbari**
Non-executive director (independent)
5. **Mr Ignacio Benjumea Cabeza de Vaca**
Non-executive director
6. **Mr Javier Botín-Sanz de Sautuola y O'Shea**
Non-executive director
7. **Mr Álvaro Cardoso de Souza**
Non-executive director (independent)
8. **Ms Sol Daurella Comadrán**
Non-executive director (independent)
9. **Mr Enrique de Castro**
Non-executive director (independent)
10. **Mr Guillermo de la Dehesa Romero**
Non-executive director
11. **Mr Rodrigo Echenique Gordillo**
Non-executive director
12. **Ms Esther Giménez-Salinas i Colomer**
Non-executive director (independent)
13. **Mr. Ramiro Mato García-Ansorena**
Non-executive director (independent)
14. **Ms Belén Romana García**
Non-executive director (independent)
15. **Mrs Pamela Walkden**
Non-executive director (independent)
16. **Mr Jaime Pérez Renovales**
General secretary and secretary of the board



4.1 Our directors

This information is presented as at 31 December 2019



Ms Ana Botín-Sanz de Sautuola y O'Shea
GROUP EXECUTIVE CHAIRMAN
Executive director

Joined the board in 1989.

Nationality: Spanish. Born in 1960 in Santander, Spain.

Education: Degree in Economics from Bryn Mawr College (Pennsylvania, United States).

Experience: She joined Banco Santander, S.A. after working at JP Morgan (New York, 1980-1988). In 1992 she was appointed senior executive vice president. Between 1992 and 1998 she led the expansion of Santander in Latin America. In 2002, she was appointed executive chairman of Banco Español de Crédito, S.A. Between 2010 and 2014 she was chief executive officer of Santander UK. In 2014 she was appointed executive chairman of Santander.

Other positions of note: Member of the board of directors of The Coca-Cola Company. She is also founder and chairman of the CyD Foundation (which supports higher education) and of the Empieza por Educar Foundation (the Spanish subsidiary of the international NGO Teach for All) and she sits on the advisory board of the Massachusetts Institute of Technology (MIT).

Positions in other Group companies: She is non-executive director of Santander UK plc. and of Santander UK Group Holdings plc.; non-executive chairman of Universia España Red de Universidades, S.A. and of Universia Holding, S.L. and non-executive director of Santander Holding USA, Inc. and of Santander Bank, N.A.

Membership of board committees: Executive committee (chairman), innovation and technology committee (chairman), and responsible banking, sustainability and culture committee.

Skills and competencies: She has an extensive international executive career in the banking sector, where she has held the highest executive positions. She has also led the transformational, strategic and cultural change in the Santander Group. In addition, she has shown an ongoing commitment to sustainable and inclusive growth, as reflected in her philanthropic activities.



Mr José Antonio Álvarez Álvarez
VICE CHAIRMAN & CHIEF EXECUTIVE OFFICER
Executive director

Joined the board in 2015.

Nationality: Spanish. Born in 1960 in León, Spain.

Education: Graduate in Economics and Business Administration. MBA from the University of Chicago.

Experience: He joined Santander in 2002 and was appointed senior executive vice president of the Financial Management and Investor Relations division in 2004 (Group chief financial officer). He served as director at SAM Investments Holdings Limited, Santander Consumer

Finance, S.A. and Santander Holdings US, Inc. He also sat on the supervisory boards of Santander Consumer AG, Santander Consumer Bank GmbH and Santander Bank Polska, S.A. He was also a board member of Bolsas y Mercados Españoles, S.A.

Other positions of note: None.

Positions in other Group companies: He is non-executive director of Banco Santander (Brasil) S.A.

Membership of board committees: Executive committee and innovation and technology committee.

Skills and competencies: With a distinguished career in the banking sector, he is a highly qualified and talented leader. He brings to the board significant strategic and international management expertise, in particular in relation to financial planning, asset management and consumer finance. He has a strong experience with and reputation amongst key stakeholders, such as regulators and investors.



Mr Bruce Carnegie-Brown
VICE CHAIRMAN & LEAD INDEPENDENT DIRECTOR
Non-executive director (independent)

Joined the board in 2015.

Nationality: British. Born in 1959 in Freetown, Sierra Leone.

Education: Master of Arts in English Language and Literature from the University of Oxford.

Experience: He was non-executive chairman of Moneysupermarket.com Group plc. (2014-2019), non executive director of Jardine Lloyd Thompson Group plc (2016-2017) and he held the non-executive chair of AON UK Ltd (2012-2015). He was also the founder and managing partner of the quoted private equity division of 3i Group plc., and president and chief executive officer of Marsh Europe, S.A. He was also lead independent director

at Close Brothers Group plc. (2006-2014) and at Catlin Group Ltd (2010-2014). He previously worked at JP Morgan Chase for eighteen years and at Bank of America for four years.

Other positions of note: He is the non-executive chairman of Lloyd's of London and of Cuvva Limited.

Positions in other Group companies: He is non-executive director of Santander UK, Plc. and of Santander UK Group Holdings Limited.

Membership of board committees: Executive committee, appointments committee (chairman), remuneration committee (chairman), and innovation and technology committee.

Skills and competencies: He has a strong and broad background in the banking sector (in particular, in investment banking) and also relevant experience in the insurance sector. He also possesses significant international experience, having had extensive exposure to Europe (UK), Middle East and Asia. His top management experience brings to the board know how in remuneration, appointments and risk-related matters. In addition, as lead independent director, he has gained an excellent understanding of investor expectations and experience in managing relations with them and with financial communities.



**Ms Homaira
Akbari**

Non-executive director (independent)

Joined the board in 2016.

Nationality: North-American and French. Born in 1961 in Tehran, Iran.

Education: Doctorate in Experimental Particle Physics from Tufts University and MBA from Carnegie Mellon University.

Experience: She was non-executive director of Gemalto NV and of Veolia Environment, S.A. she was chairman and CEO of SkyBitz, Inc., managing director of TruePosition Inc., non-executive director of Covisint Corporation and US Pack

Logistics LLC. and she has held various posts at Microsoft Corporation and at Thales Group.

Other positions of note: She is chief executive officer of AKnowledge Partners, LLC, non-executive chairman of WorkFusion, Inc. and non-executive director of Landstar System, Inc.

Positions in other Group companies: She is non-executive director of Santander Consumer USA Holdings Inc

Membership of board committees: Audit committee, innovation and technology committee and responsible banking, sustainability and culture committee.

Skills and competencies: She brings significant executive experience in technology-related companies. Her knowledge of the digital transformation challenges is an asset to the board. In addition, her insights, gained from her extensive international experience in a diverse range of geographies and her knowledge in the management and treatment of water, energy and waste resources, are of particular value to our Group.



**Mr Ignacio
Benjumea Cabeza de Vaca**

Non-executive director

Joined the board in 2015.

Nationality: Spanish. Born in 1952 in Madrid, Spain.

Education: Degree in Law from Deusto University, ICADE E-3 and State Attorney.

Experience: Former senior executive vice president, general secretary and secretary of the board of Banco Santander, S.A. and board member, senior executive vice president, general secretary and secretary to the board of Banco Santander de Negocios, S.A. and of Santander Investment, S.A. He was also technical general secretary of the Ministry of Employment and Social Security, general secretary of Banco de Crédito Industrial, S.A. and director of

Dragados, S.A., Bolsas y Mercados Españoles, S.A. (BME) and of the Governing Body of the Madrid Stock Exchange.

Other positions of note: He is vice chairman of the board of trustees and member of the executive committee of the Financial Studies Foundation and a member of the board of trustees and the executive committee of the Banco Santander Foundation.

Positions in other Group companies: None.

Membership of board committees: Executive committee, remuneration committee, risk supervision, regulation and compliance committee, innovation and technology committee and responsible banking, sustainability and culture committee.

Skills and competencies: He brings significant financial expertise to the board, in particular in banking and capital markets. He also has a wide experience in corporate governance and regulatory matters, having served as general secretary and secretary of the board of several banking institutions and held several positions in the Spanish government. He also has a significant involvement in several foundations.



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

Non-executive director

Joined the board in 2004.

Nationality: Spanish. Born in 1973 in Santander, Spain.

Education: Degree in Law from the Complutense University of Madrid.

Experience: Since 2008, founder and executive chairman of JB Capital Markets, Sociedad de Valores, S.A.U., co-founder and executive director, equities division of M&B Capital

Advisers, S.V., S.A. (2000-2008). Previously he was legal advisor to the International Legal Department of Banco Santander, S.A. (1998-1999).

Other positions of note: In addition to his work in the financial sector, he collaborates with several non-profit organizations. Since 2014 he has been chairman of the Botín Foundation. He is also a trustee of the Princess of Gerona Foundation.

Positions in other Group companies: None.

Membership of board committees: None.

Skills and competencies: He brings to the board international and management experience, in particular in the financial and banking sector. He also brings a deep knowledge of the Santander Group and its operations and strategy, acquired through his tenure as a non-executive director of the Bank.



**Mr Álvaro
Cardoso de Souza**

Non-executive director (independent)

Joined the board in 2018.

Nationality: Portuguese. Born in 1948 in Guarda, Portugal.

Education: Degree in Economics and Business Administration from Pontificia Universidade Católica de Sao Paulo, Master of Business Administration (MBA-Management Program for Executives) from the University of Pittsburgh and a graduate of the Investment Banking Marketing Program from Wharton Business School.

Experience: He has held various positions at the Citibank Group, including CEO of Citibank Brazil and various senior positions in the US with respect to the consumer finance, private banking and Latin American businesses. He was a

member of the board of AMBEV. S.A., Gol Linhas Aéreas, S.A. and of Duratex, S.A. He has been chairman of WorldWildlife Group (WWF) Brazil, member of the board of WWF International and chairman and member of the audit and asset management committees of FUNBIO (Fundo Brasileiro para a Biodiversidade).

Other positions of note: None.

Positions in other Group companies: He is non-executive chairman of Banco Santander (Brasil) S.A.

Membership of board committees: Risk supervision, regulation and compliance committee (chairman) and responsible banking, sustainability and culture committee.

Skills and competencies: He possesses a broad international banking experience, particularly in Brazil. He has a solid understanding of strategy and risk management-related matters, acquired from his executive experience, which is key to his role as chairman of our risk supervision, regulation and compliance committee. In addition, he actively collaborates in several environmental foundations and NGOs which brings him very useful knowledge in sustainability matters.



**Ms Sol
Daurella Comadrán**

Non-executive director (independent)

Joined the board in 2015.

Nationality: Spanish. Born in 1966 in Barcelona, Spain.

Education: Degree in Business and MBA from ESADE.

Experience: She served on the board of the Círculo de Economía and also as an independent non-executive director at Banco Sabadell, S.A., Ebro Foods, S.A. and Acciona, S.A. She has also been the honorary consul general of Iceland in Barcelona since 1992.

Other positions of note: She is chairman of Coca Cola

European Partners, plc., executive chairman of Olive Partners, S.A. and holds several positions at companies belonging to the Cobega Group. She is also chairman of the board of trustees of the FERO Oncology Research Foundation.

Positions in other Group companies: None.

Membership of board committees: Appointments committee, remuneration committee and responsible banking, sustainability and culture committee.

Skills and competencies: She brings to the board excellent skills in strategy and high-level management, acquired through her international top executive experience in listed and large privately held entities, in particular in the distribution sector. She has a wide experience in corporate governance, having chaired several boards, and also in audit after having served as a member of several audit committees. In addition, her experience as a trustee of various Foundations oriented to health, education and environmental matters brings the board responsible business and sustainability insights.



**Mr Henrique
de Castro**

Non-executive director (independent)

Joined the board in 2019.

Nationality: Portuguese. Born in 1965 in Lisbon, Portugal.

Education: Degree in Business Administration from the Lisbon School of Economics and Management (Portugal) and Master's Degree in Business Administration (MBA) from the University of Lausanne (Switzerland).

Experience: He was independent director of First Data Corporation and chief operating officer of Yahoo.

Previously, he was the manager of the worldwide devices, media and platform business of Google, the sales and business development manager for Europe of Dell Inc. and a consultant at McKinsey & Company.

Other positions of note: He is independent director of Fiserv Inc. and of Target Corporation.

Positions in other Group companies: None.

Membership of board committees: Audit committee, remuneration committee and innovation and technology committee.

Skills and competencies: Due to the executive positions he has held in top technological companies worldwide, he brings to the board valuable experience in and strategic insights about the technological and digital industry as well as an outstanding international experience in a wide range of geographies.



**Mr Guillermo
de la Dehesa Romero**

Non-executive director

Joined the board in 2002.

Nationality: Spanish. Born in 1941 in Madrid, Spain.

Education: Government Economist and head of office of the Bank of Spain.

Experience: Former secretary of state of Economy, secretary general of Trade, chief executive officer of Banco Pastor, S.A., international advisor to Goldman Sachs International, chairman of Aviva Grupo Corporativo, S.L.

and non-executive chairman of Santa Lucía Vida y Pensiones, S.A.

Other positions of note: He is currently non-executive vice chairman of Amadeus IT Group, S.A., honorary chairman of the Centre for Economic Policy Research (CEPR) of London, member of the Group of Thirty based in Washington and chairman of the board of trustees of IE Business School.

Positions in other Group companies: None.

Membership of board committees: Executive committee, appointments committee, remuneration committee, and innovation and technology committee.

Skills and competencies: He has an extensive banking experience (both executive and non-executive). In addition, due to his experience and education, he brings to the board strategic insights in the macroeconomic and regulatory environment and on business management, after having held top management positions as well as non-executive positions.



**Mr Rodrigo
Echenique Gordillo**

Non-executive director

Joined the board in 1988.

Nationality: Spanish. Born in 1946 in Madrid, Spain.

Education: Graduate in Law and State Attorney.

Experience: From 1973 to 1976 he held several positions in the Spanish Public Administration (General Secretary of the Post and Telecommunications Office, Technical Advisor in the Office of the Spanish Prime Minister and other positions in the Spanish Tax Authority offices in Pontevedra and Madrid). Former chief executive officer of Banco Santander, S.A. between 1988 and 1994. He served on the board of directors of several industrial and financial companies, including Ebro Azúcares y Alcoholes, S.A. and Industrias Agrícola, S.A., and was chairman of advisory of

Accenture, S.A. He was also non-executive chairman of NH Hotels Group, S.A., Vocento, S.A., Vallehermoso, S.A. and Merlin Properties SOCIMI, S.A. He has also been non-executive chairman of Banco Popular Español, S.A.

Other positions of note: He is non-executive director of Inditex, S.A. and chairman of the board of trustees and the executive committee of the Banco Santander Foundation.

Positions in other Group companies: He is non-executive director of Universia Holding, S.L., of Banco Santander Chile, S.A. and of Universia España, Red de Universidades, S.A. He is also non-executive director and vice chairman of Banco Santander International.

Membership of board committees: Appointments committee.

Skills and competencies: His extensive senior executive experience in the banking sector and also other non-executive roles in various industrial companies along with his deep knowledge on the Santander Group are very valuable for the board. In addition, his prior experience in the Spanish government provides the board with strategic insights into regulations and relations with the public sector.



**Ms Esther
Giménez-Salinas i Colomer**

Non-executive director (independent)

Joined the board in 2012.

Nationality: Spanish. Born in 1949 in Barcelona, Spain.

Education: PhD in Law and Psychologist by the University of Barcelona.

Experience: She was chancellor of the Ramon Llull University, member of the Conference of Rectors of Spanish Universities (CRUE), member of the General Council of the Judiciary of Spain, member of the scientific committee on criminal policy of the Council of Europe, executive vice president of the Centre for Legal Studies and Specialised Training of the Justice Department of the Government of Catalonia and member of the advisory board of Endesa-Catalunya. She was director of Gava Capital Partners, S.L.

Other positions of note: Professor emeritus at Ramón Llull University, director of the Chair of Restorative and Social Justice at the Pere Tarrés Foundation, Special Chair of Restorative Justice Nelson Mandela of the National Human Rights Commission of Mexico, director of Aqu (quality assurance agency for the Catalan university system), Member of the Bioethics Committee of the Government of Catalonia and member of the advisory board of the Arbitral Court of Barcelona.

Positions in other Group companies: None.

Membership of board committees: Appointments committee, risk supervision, regulation and compliance committee and responsible banking, sustainability and culture committee.

Skills and competencies: Her relevant experience in senior academic and governmental roles, for which she has a strong reputation, enhances the oversight capacities of the board. Also her career path brings to the board knowledge and experience in legal matters, cultural transformation and in embedding an ethical and responsible culture. In addition, she has gained banking experience due to her tenure as non-executive director of Banco Santander.



**Mr Ramiro
Mato García-Ansorena**

Non-executive director (independent)

Joined the board in 2017.

Nationality: Spanish. Born in 1952 in Madrid, Spain.

Education: Degree in Economics from the Complutense University of Madrid and Management Development Programme of the Harvard Business School.

Experience: He has held several positions in Banque BNP Paribas, including chairman of the BNP Paribas Group in Spain. Previously, he held several significant positions in Argentaria. He has been a member of the Spanish Banking

Association (AEB) and of Bolsas y Mercados Españoles, S.A. (BME) and member of the board of trustees of the Fundación Española de Banca para Estudios Financieros (FEBEF).

Other positions of note: None.

Positions in other Group companies: None.

Membership of board committees: Executive committee, audit committee, risk supervision, regulation and compliance committee and responsible banking, sustainability and culture committee (chairman).

Skills and competencies: He has had an extensive career in banking and capital markets, where he has held senior executive and non-executive positions. He brings to the board significant expertise in top management and also in audit, risk and strategy, mainly related to the financial sector. In addition, he has been actively participating in the boards of trustees of several foundations aimed at enhancing education.



**Ms Belén
Romana García**

Non-executive director (independent)

Joined the board in 2015.

Nationality: Spanish. Born in 1965 in Madrid, Spain.

Education: Graduate in Economics and Business Administration from Universidad Autónoma de Madrid and Government Economist.

Experience: She was formerly senior executive vice president of Economic Policy and senior executive vice president of the Treasury of the Ministry of Economy of the Spanish Government, as well as director of the Bank of Spain and the CNMV. She also held the position of director of the Instituto de Crédito Oficial and of other entities on behalf of the Spanish Ministry of Economy. She served as non-executive director of Banco Español de Crédito, S.A.

and executive chairman of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB).

Other positions of note: Non-executive director of Aviva plc. London and of Aviva Italia Holding SpA, member of the advisory boards of GFI España and TribalData, member of the advisory board of the Rafael del Pino Foundation and co-chair of the Global Board of Trustees of the Digital Future Society.

Positions in other Group companies: None.

Membership of board committees: Executive committee, audit committee (chairman), risk supervision, regulation and compliance committee, innovation and technology committee and responsible banking, sustainability and culture committee.

Skills and competencies: Her background as a government economist and her overall, executive and non-executive, experience in the financial sector (in particular, in the audit committee of listed companies) support her recognition as financial expert. In addition, the relevant positions held in Spanish credit institutions and in the field of capital markets provide her with strategic insights into banking, financial regulations and Spanish government relations.



**Mrs Pamela
Walkden**

Non-executive director (independent)

Joined the board in 2019.

Nationality: British. Born in 1960 in Worcester, England.

Education: Master's Degree on Economics from Cambridge University.

Experience: She possesses an extensive career in the banking sector. She has served in a number of senior management positions at Standard Chartered Bank, including as Group Head of Human Resources, Chief Risk

Officer, Group Treasurer, Group Head of Asset and Liability Management and Regional Markets, Group Head of Internal Audit, Group Head of Corporate Affairs and Group Manager of Investor Relations. In addition, she served as an independent member of the UK Prudential Regulation Authority (PRA) Regulatory Reform Panel and as member of the European Banking Authority Stakeholder Group.

Other positions of note: She is a lay member of the Welfare and Ethics Committee of the Royal Veterinary College.

Positions in other Group companies: None.

Membership of board committees: Audit committee.

Skills and competencies: She brings to the board a broad experience in the banking industry along with a significant international and audit experience, which support her recognition as financial expert.



Mr Jaime Pérez Renovales

General Secretary and Secretary of the board

He joined the Group in 2003.

Nationality: Spanish. Born in 1968 in Valladolid, Spain.

Education: Graduate in Law and Business Administration at Universidad Pontificia de Comillas (ICADE E-3) and State Attorney.

Experience: He was director of the office of the second vice president of the Government for Economic Affairs and Minister of Economy, deputy secretary of the Presidency of the Government, chairman of the Spanish State Official Gazzete and of the committee for the Public Administration Reform. Previously, he was general vice secretary and vice secretary of the board and head of legal of the Santander Group, general secretary and secretary of the board of Banco Español de Crédito, S.A. and deputy director of legal services at CNMV. He is a member of the jury of the Princess of Asturias of Social Sciences awards and chairman of the Icade Business Club.

Secretary of all board committees.

4.2 Board composition

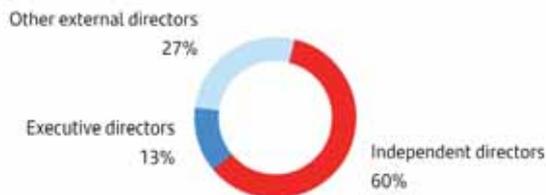
Size

At 31 December 2019, the board of directors was made up of the 15 members whose profile and background are described in the section 4.1 'Our directors' above. Our Bylaws allow for a board with a minimum of 12 and a maximum of 17 members.

Composition by type of director

The composition of the board of directors is balanced between executive and non-executive directors, most of whom are independent. The status of each director has been verified by the appointments committee and submitted to the board.

Our board composition



Diversity

A diverse board is essential to ensure its effectiveness. The combination of experiences and skills in the board provides an environment where different views emerge and the quality of decision-making is improved. Therefore, we seek a solid balance of technical skills, experiences and perspectives in the board.

As further detailed below, our policy governing the selection, suitability assessment and succession of directors promotes diversity within the board, including diversity of gender, geography, experience and knowledge, with no

implicit bias that could lead to any form of discrimination on the grounds of age, disability, race or ethnic origin. This policy was amended in July 2018 in order to bring it into line with recent European legislation on the disclosure of non-financial and diversity information and with EBA and the European Securities and Markets Authority (ESMA)

guidelines on suitability assessment of board members and key functions holders. In 2019 the new gender equality target, consisting in achieving a 40%-60% presence of women on the board for 2021, was included. The Bank applies this policy when selecting directors to fill any vacancy or looking for candidates to add or replace board members.

The selection policy promotes diversity in the board of directors from different standpoints:

- **Geographical provenance or international education:** The selection process takes into account the diversity of cultural or international educational background, especially in the main geographies where the Group is present.
- **Gender equality:** Both the appointments committee and the board of directors are aware of the importance of fostering equal opportunities between men and women and of the appropriateness of appointing women to the board who meet the requirements of ability, suitability and effective dedication to the position of director, making a conscious effort to search for female candidates who have the required profile. Our policy promotes a selection of directors that includes a sufficient number of female board members to have a balanced presence of women and men.

On 26 February 2019 the board replaced the target set in 2016 by the appointments committee for the minority gender (women) from 30% in 2020 to a gender equality target in the board, which implies a presence of women in the board of 40% to 60%, to be achieved by 2021. As of November 2019 the board has already met this target, and at year-end, women currently comprise 40% of the board.

Female representation on the board is well above the average for large listed companies in Europe. According to a study conducted by the European Commission with data at October 2018, the percentage of female board members at large listed companies was 26.7% for all 28 countries in the European Union and 23.7% for Spain.

- **Education and professional background:** The selection of candidates ensures that they are qualified and suitable for the overall understanding of our Group, its businesses,

structure and the geographies in which it operates, both individually and collectively; that they are aligned with the Santander culture. The selection process ensures that the candidates have skills and competencies in banking and financial services and in other areas identified as relevant in the board skills and diversity matrix. In this regard, knowledge acquired in an academic environment is taken into account, together with experience in the professional performance of duties.

- The policy has no implicit bias that could lead to discrimination by **age, race, disability and/or ethnic origin**. With regard to age, there are no age limits for directors or for any position on the board, including the chairman and CEO.

In 2019, the Bank continued to place great emphasis on ensuring a diverse composition in the board covering aspects such as gender and geographical diversity but also ensuring there is no discrimination on account of race, age or disability. In line with the above, all proposed appointments of new board members are now accompanied by a diversity impact analysis as part of the suitability assessment. We have also extended this approach to the Group subsidiaries, to ensure that their respective boards remain focused on diversity and promote a gender balanced presence, in line with the Group's target.

The result of applying these diversity criteria in 2019 is described in section 1.1 '[Renewing the board](#)'. In particular, international diversity in the board as well as the need to ensure it has a balanced and adequate composition at all times was a priority in 2019, as indicated in section 1.3 '[Achieving our 2019 priorities](#)'.

Our strong and unbreakable commitment to broader diversity will remain a focus for the appointments committee in 2020 because, as we stated in section 1.5 '[Priorities for 2020](#)', diversity is not a box to be ticked but a strategy for success.

Board skills and diversity matrix

The board composition provides the balance of knowledge, capabilities, qualifications, diversity and experience required to execute our long-term strategy in an ever evolving market environment.

This balance is reflected in the board's skills matrix that we updated in 2018 in order to make it simpler, more transparent and complete, with more information for our investors and other stakeholders, who are demanding greater visibility on certain skills within the board. In addition, we took into account the recommendations of the EBA and ESMA guidelines on the suitability assessment of board members and key functions holders, which came into effect in June 2018.

This year's matrix follows the structure introduced last year:

- We differentiate between **two groups of skills or competences: thematic and horizontal**.
- We include a separate **diversity section** which includes not only gender diversity but also diversity in geographical provenance and/or training or education abroad, and a **board tenure** section, reflecting the tenure of each directorship.

In line with last year, the skills matrix discloses the skills and competencies of each board member showing our commitment to transparency in this matter. Section 4.1 '[Our directors](#)' includes a paragraph on skills and competencies for each director, to more clearly identify the background for this skills matrix.

We have added an additional chart (entitled 'Committees skills and diversity matrix') which provides a clear view of the balance of skills, not only at board level as a whole, but in each board committee. This presentation enables the overall effectiveness of the board committees to be evaluated by reference to the significant presence of skills more directly relevant to the scope of each committee.

Board skills and diversity matrix

	Executive		Independent					Other external							
	Ana Botin (chairman)	Jose Antonio Alvarez (vice chairman - CEO)	Bruce Carnegie-Brown (vice chairman and lead director)	Homaira Akbari	Alvaro Cardoso de Souza	Sol Daurella	Henrique de Castro	Esther Gimenez-Salinas	Ramiro Mato	Belen Romana	Pamela Walkden	Ignacio Benjumea	Javier Botin	Guillermo de la Dehesa	Rodrigo Echenique
SKILLS AND EXPERIENCE															
THEMATIC SKILLS															
Banking (86.7%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Other financial services (66.7%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Accounting, auditing & financial literacy (93.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Retail (93.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Digital & information technology (53.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Risk management (86.7%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Business strategy (93.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Responsible business & sustainability (86.7%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Human resources, culture, talent & remuneration (93.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Legal & Regulatory (33.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Governance & control (86.7%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
International experience	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
				Continental Europe (86.7%)											
				US/UK (86.7%)											
				Latam (60%)											
				Others (46.7%)											
HORIZONTAL SKILLS															
Top management (93.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Government, regulatory & public policy (33.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Academia & education (53.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Significant directorship tenure (93.3%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
DIVERSITY															
Female (40%)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Geographical provenance / international education	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
				Continental Europe (73.3%)											
				US/UK (53.3%)											
				Latam (6.7%)											
				Others (6.7%)											
BOARD TENURE															
0 to 3 years (26.7%)				•											
4 to 11 years (46.6%)				•											
12 years or more (26.7%)	•														

Committees skills and diversity matrix

	Executive committee	Audit committee	Appointments committee	Remuneration committee	Risk supervision, regulation and compliance committee	Innovation and technology committee	Responsible banking, sustainability and culture committee
SKILLS AND EXPERIENCE							
THEMATIC SKILLS							
Banking	100%	60%	100%	80%	100%	75%	87.5%
Other financial services	100%	60%	60%	60%	80%	87.5%	75%
Accounting, auditing & financial literacy	100%	100%	80%	100%	80%	100%	87.5%
Retail	100%	60%	100%	100%	100%	87.5%	50%
Digital & information technology	85.7%	60%	40%	80%	40%	87.5%	87.5%
Risk management	100%	80%	80%	80%	80%	87.5%	87.5%
Business strategy	85.7%	80%	80%	80%	60%	87.5%	75%
Responsible business & sustainability	100%	60%	100%	80%	100%	87.5%	100%
Human resources, culture, talent & remuneration	100%	100%	100%	100%	100%	100%	100%
Legal & Regulatory	42.9%	20%	60%	40%	60%	37.5%	37.5%
Governance & control	100%	80%	80%	80%	80%	87.5%	87.5%
International experience	100%	80%	100%	100%	80%	100%	87.5%
Continental Europe	71.4%	100%	80%	60%	80%	75%	87.5%
US/UK	42.9%	60%	40%	20%	60%	50%	62.5%
Latam	42.9%	60%	80%	80%	20%	37.5%	25%
Others							
HORIZONTAL SKILLS							
Top management	100%	100%	80%	100%	80%	100%	87.5%
Government, regulatory & public policy	42.9%	20%	60%	40%	60%	37.5%	37.5%
Academia & education	57.1%	40%	100%	60%	40%	50%	62.5%
Significant directorship tenure	100%	80%	100%	100%	100%	100%	100%
DIVERSITY							
Female	28.6%	60%	40%	20%	40%	37.5%	62.5%
Continental Europe	85.7%	60%	80%	80%	80%	75%	75%
US/UK	71.4%	80%	20%	20%	60%	62.5%	62.5%
Latam	0	0	0	0	20%	0	12.5%
Others	0	20%	0	0	0	12.5%	12.5%
BOARD TENURE							
0 to 3 years	14.3%	60%	0	20%	40%	12.5%	25%
4 to 11 years	57.1%	40%	60%	60%	60%	62.5%	62.5%
12 years or more	28.6%	0	40%	20%	0	25%	12.5%

Executive directors

- Ms Ana Botín-Sanz de Sautuola y O'Shea, Group executive chairman.
- Mr José Antonio Álvarez Álvarez, Group vice chairman and CEO.

A more detailed description of their roles and duties is included in 'Group executive chairman and chief executive officer' in section [4.3](#).

Independent directors

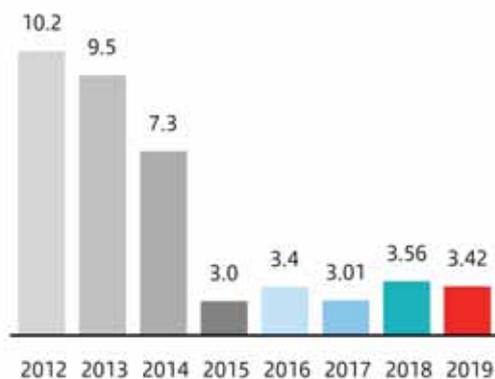
- Mr Bruce Carnegie-Brown (lead independent director).
- Ms Homaira Akbari.
- Mr Álvaro Cardoso de Souza.
- Ms Sol Daurella Comadrán.
- Mr Henrique de Castro.
- Ms Esther Giménez-Salinas i Colomer.
- Mr Ramiro Mato García-Ansorena.
- Ms Belén Romana García.
- Mrs Pamela Walkden

On an annual basis, the appointments committee verifies and informs the board about the category of the independent directors, taking into account all the circumstances of each case and, in particular, the existence of any possible significant business relationships that could affect their independence. This analysis is described further in section 4.6 '[Appointments committee activities in 2019](#)'.

Independent non-executive directors account for 60% of the board, following best practices in corporate governance and complying with the Rules and regulations of the board that require the board to be made up predominantly of non-executive directors and have a number of independent directors that represent at least 50% of the board.

At year-end 2019, the average length of service for independent non-executive directors was 3.42 years.

Years of service of independent directors



Other external directors

- Mr Ignacio Benjumea Cabeza de Vaca.
- Mr Javier Botín-Sanz de Sautuola y O'Shea.
- Mr Guillermo de la Dehesa Romero.
- Mr Rodrigo Echenique Gordillo.

These directors cannot be classified as independent directors for the followings reasons:

- Mr Botín and Mr de la Dehesa have both been directors for over 12 years.
- In the case of Mr Benjumea, as a prudence criteria, despite having elapsed the legal period required since his professional relationship with the Bank ceased (other than that derived from his position as director of the Bank and Santander Spain)
- Mr Echenique was executive director until 1 May 2019 and has been a director for over 12 years.

Tenure, committee membership and equity ownership^A

Board of directors	Committees							Tenure				Bank shareholding ^C						
	Executive	Independent	Other external	1. Executive committee	2. Audit committee	3. Appointments committee	4. Remuneration committee	5. Risk supervision, regulation and compliance	6. Innovation and technology committee	7. Responsible banking, sustainability and culture committee	Date of first appointment	Date of last appointment	End date ^B	Direct	Indirect	Shares represented	Total	% of share capital
Executive chairman				☑					☑	04/02/1989	04/07/2017	First six months of 2020	735,000	24,919,906	25,654,906	0.154%		
Vice chairman and chief executive officer										25/11/2014	12/04/2019	First six months of 2022	1,331,602		1,331,602	0.008%		
Vice chairman						☑				25/11/2014	12/04/2019	First six months of 2022	22,443		22,443	0.000%		
										27/09/2016	23/03/2018	First six months of 2021	30,000	44,000	74,000	0.000%		
										30/06/2015	23/03/2018	First six months of 2021	3,576,405		3,576,405	0.022%		
										25/07/2004	12/04/2019	First six months of 2022	5,272,830	18,655,736	122,468,000 ^D	146,396,566	0.881%	
										1/04/2018	1/04/2018	First six months of 2021	0	0	0	0.000%		
						☑				25/11/2014	23/03/2018	First six months of 2021	143,255	456,970	600,225	0.004%		
										24/06/2002	23/03/2018	First six months of 2021	173	0	173	0.000%		
Members										17/07/2019	17/07/2019	First six months of 2022	2,982		2,982	0.000%		
										07/10/1988	07/04/2017	First six months of 2020	1,231,529	14,591	1,246,120	0.007%		
										30/03/2012	07/04/2017	First six months of 2020	6,062	0	6,062	0.000%		
										28/11/2017	12/04/2019	First six months of 2022	40,325	0	40,325	0.000%		
										22/12/2015	12/04/2019	First six months of 2022	167	3	170	0.000%		
						☑				29/10/2019	29/10/2019	First six months of 2020	2,500	0	2,500	0.000%		
Total													12,395,273	44,091,206	122,468,000	178,954,479	1.077%	
General secretary and secretary of the board																		
☑ Chairman																		

Note: The table details the attendance of directors whenever the latter have personally attended meetings of the board or its committees. For this purpose, absent directors who are represented are not counted as having attended.

- A. Data at 31 December 2019 except where otherwise indicated. The changes in the membership of the committees during 2019 are shown in section 1.1 ["Renewing the board"](#).
 B. For further explanation, see "Election, renewal and succession" in section 4.2. Indicated periods do not take into account the additional period that may apply under article 222 of the Spanish Companies Act.
 C. The Bank has a share holding policy aimed at strengthening the alignment of executive directors with the long-term interests of shareholders. This policy includes the executive directors' commitment to maintain a significant individual investment in the Bank's shares while they are performing executive duties, equivalent to twice the net amount of the annual salary and the marginal tax rate at the time this policy was first applied. To meet the level of investment committed, they have a period of 5 years from their appointment as an executive director. The ratio resulting from the shareholding at 31 December 2019 shown in this table and the share value at 31 December 2019 is 34.8 times for Ms Ana Botin and 2.3 times for Mr José Antonio Álvarez.

D. Includes shares owned by Fundación Botin, of which Mr Javier Botin is the chairman, and syndicated shares, except those corresponding to Ms Ana Botin and Mr Javier Botin as they are already included within their direct or indirect shareholdings. In subsection A.3 of section 9.2 ["Statistical information on corporate governance required by the CNMV"](#), we have adapted this information to the CNMV's format, and have therefore added all the syndicated shares as shareholding of Mr Javier Botin. See 2.4 ["Shareholders' agreements"](#).

For further details see [section 9.2](#) ["Statistical information on corporate governance required by the CNMV"](#).

Election, renewal and succession of directors

Election of directors

Our directors are appointed for three-year terms, and one-third of the board is renewed each year, following the order established by the length of the service on the board, according to the date and order of the respective appointment. Outgoing directors may be re-elected. Each appointment, re-election and ratification is submitted to a separate vote at the AGM.

Procedures for appointing, re-electing, evaluating and removing directors

Our internal policy for the selection, suitability assessment and succession of directors stipulates the criteria concerning the quantitative and qualitative composition of the board of directors, the process for reviewing its composition, the process for identifying, selecting and appointing new candidates.

The GSM appoints and re-elects directors. In the event that directors vacate their office during the term for which they were appointed, the board of directors may provisionally designate another director, by co-option, until the shareholders, at the earliest subsequent GSM, either confirm or revoke this appointment.

The proposals for appointment, re-election and ratification of directors, regardless of the status thereof, that the board of directors submits to the shareholders and the decisions adopted by the board itself in cases of co-option must be preceded by the corresponding report and reasoned proposal of the appointments committee.

The proposal must be accompanied by a duly substantiated report prepared by the board containing an assessment of the qualifications, experience and merits of the proposed candidate. In cases of re-election or ratification of directors, the proposal shall contain an assessment of the work and effective dedication of the proposed director to the position during the last period in which he/she occupied the post. If the board disregards the proposal made by the appointments committee, it must give the reasons for its decision and place these reasons in the minutes for the record.

Directors must meet the specific requirements set forth by law for credit institutions and the provisions of our Bylaws, and must formally undertake, upon taking office, to fulfil the obligations and duties prescribed therein and in the Rules and regulations of the board.

Our directors must be persons of renowned business and professional integrity, and must have the knowledge and experience needed to exercise their function and be in a position to carry out a good governance. Candidates for the position of director will also be selected on the basis of their professional contribution to the board as a whole.

For further information see section 4.1 '[Our directors](#)' and under 'Board skills and diversity matrix' within this section [4.2](#).

In all cases, the board of directors shall endeavour to ensure that external or non-executive directors represent a significant majority over executive directors and that the

number of independent directors represents at least half of all directors.

Our directors shall cease to hold office when the term for which they were appointed elapses, unless they are re-elected; when the GSM so resolves; or when they resign (explaining the reasons for this in a letter that shall be sent to the other members of the board) or place their office at the disposal of the board of directors.

Directors must tender their resignation to the board of directors and formally resign from their position if the board of directors, following a report from the appointments committee, deems it fit, in those cases in which they may adversely affect the operation of the board or the credit or reputation of the Bank and, in particular, if they are involved in any of the circumstances of incompatibility or prohibition provided by law. The foregoing without prejudice to the provisions of Royal Decree 84/2015, which implements Law 10/2014 on the organisation, supervision and solvency of credit institutions, on the honorability requirements for directors and the consequences of directors subsequently failing to meet such requirements.

Directors must notify the board, as soon as possible, of those circumstances affecting them that might prejudice the credit or reputation of the Bank, and particularly the criminal cases with which they are charged.

Furthermore, proprietary non-executive directors must tender their resignation when the shareholder they represent disposes of, or significantly reduces, its ownership interest.

Finally, succession planning for the main directors is a key element of the Bank's good governance, ensuring an orderly leadership transition and continuity and stability of the board. Board succession planning continues to be an area of focus for the appointment committee and the board, with appropriated and robust plans in place that are regularly revisited.

CEO succession

In application of these procedures, in September 2018 the Bank resolved to appoint Mr Andrea Orcel as new CEO, subject to obtaining the necessary regulatory fit and proper authorization, the shareholders' meeting passing the relevant resolutions on his future remuneration and to the termination of the contractual relationship with his former employer.

Subsequently, due to the change on the basis upon which such decision was taken and the fact that the costs of compensating Mr Orcel for past remuneration exceeded those expected at the time of his appointment, the board resolved in January 2019 to leave without effect to Mr Orcel's appointment. Such decision was possible, among other reasons, as the contract that, in accordance to the Spanish Companies Act, any executive director must enter into, governing the services to be rendered had not been executed nor approved by the Board and attached to the relevant minutes, as requested. Such a contract was never either approved nor executed and as the appointment had not been submitted to our shareholders.

4.3 Board functioning and effectiveness

The board is the highest decision-making body, focusing on the supervisory function

Except in matters falling within the exclusive purview of the GSM, the board of directors is the Bank's highest decision-making body and performs its duties with unity of purpose and independent judgement.

The board's stated policy is delegating the day-to-day management of the Bank and the implementation of its strategy to the executive bodies and the management team. It focuses its activity on the general supervisory function and those functions that it cannot delegate as provided by law, the Bylaws, and the Rules and regulations of the board, which in summary are the following:

- General policies and strategies (including capital and liquidity, new products, activities and services; internal culture and corporate values; risk control; remuneration policy; and compliance).
- Financial information and general information reported to shareholders, investors and the general public, and the processes and controls that ensure the integrity of this information.
- Policies for the provision of information to, and for, communication with shareholders, markets and public opinion, and supervision of the process of dissemination of information and communications relating to the Bank.
- Internal audit plan and results.
- Selection, succession and remuneration of directors.
- Selection, succession and remuneration of senior management and other key positions.
- Effectiveness of the Group's corporate and internal governance system.
- Significant corporate & investment transactions.
- Calling the general shareholders' meeting.
- Governance-related matters in general, such as related party transactions.
- Corporate and internal governance of the Bank and its Group, including the group-subsidiary governance model, corporate frameworks and relevant group internal regulation.

Structure of the board

The board has implemented a governance structure to ensure it discharges its duties effectively. Further details of this structure are provided in the next pages of this section and it can be split into four dimensions:

- **Group executive chairman and chief executive officer** who, as further explained within this section 4.3, are the most senior executives for the strategic and ordinary management of the Bank, which the board is responsible for overseeing, ensuring at the same time that their roles are clearly separated and complementary.
- **A lead independent director** who, as further explained within this section 4.3, is responsible for the effective coordination of non-executive directors and generally ensuring that they serve as an appropriate counter-balance to executive directors.
- **A board committee structure**, which, as further described within this section 4.3, supports the board in three main areas:
 - In the management of the Bank by exercising decision-making powers through the executive committee.
 - In defining strategy in key areas, through the responsible banking, sustainability and culture committee and the innovation and technology committee.
 - In its supervisory functions and significant decision-making, through the audit, appointments, remuneration and risk supervision, regulation and compliance committees.
- **A board secretary**, who, as further described within this section 4.3, supports the board, its committees and our chairman, and is also the general secretary of the Group.

Rules and regulations of the board

The board is governed by the rules set out in the Bank's Bylaws and the Rules and regulations of the board, both of which are available at www.santander.com.

- **Bylaws:** Our Bylaws contain the basic rules and regulations that apply to the composition and functioning of the board of directors and its members' duties, which are supplemented and developed by the Rules and regulations of the board. They can be amended only by our GSM, as described in 'Rules governing amendments to our Bylaws' in section 3.2.
- **Rules and regulations of the board:** The Rules and regulations of the board establish the rules of operation and internal organisation of the board of directors and its committees through the development of applicable legal and Bylaw provisions. These set out the principles that govern all action taken by the board and its committees and the rules of behaviour to be observed by its members.

The board amended its Rules and regulations on 26 February 2019 in order, among others:

- To establish the audit committee to be composed entirely of independent directors and to strengthen its supervision functions over the non-financial information.
- To broaden the mandate of the appointments committee in corporate governance matters taking up functions previously fell with the risk supervision, regulation and compliance committee.

- To expressly provide that the lead independent director must be a member of the appointments committee.
- To include other minor changes in the composition and functioning of the appointments and remuneration committees anticipating the recommendations and good operating practices.

Our Rules and regulations of the board meet all legal requirements and adhere to the main principles and recommendations established in the Spanish Corporate Governance Code for Listed Companies of the CNMV of February 2015; the Corporate Governance Principles for Banks of the Basel Committee on Banking Supervision of July 2015; as well as the guidelines established by the EBA in 'Guidelines on internal governance under Directive 2013/36/EU' that came into force on 30 June 2018.

Our rules on the audit committee also adhere to the recommendations and good operating practices established in Technical Guide 3/2017 of the CNMV, on Audit Committees of Public Interest Entities, of 27 June 2017. This committee also complies with the regulations applicable in the US because of the listing of our shares as American Depositary Shares on the New York Stock Exchange and with Rule 10A-3 under the Securities Exchange Act introduced by the Sarbanes-Oxley Act of 2002 (SOx), on requirements for the audit committees of companies.

Our rules on the appointments and remuneration committees also adhere to the recommendations and good operating practices established in Technical Guide 1/2019 of the CNMV, on Nomination and Remuneration Committees, of 20 February 2019.

Group executive chairman and chief executive officer

The Group executive chairman is Ms Ana Botín-Sanz de Sautuola y O'Shea and the chief executive officer is Mr José Antonio Álvarez Álvarez.

The roles of our Group executive chairman and chief executive officer are clearly separated, as follows:

Roles of the executive chairman and the CEO

Group executive chairman	Chief executive officer
<ul style="list-style-type: none"> • The chairman is the highest-ranking officer of the Bank and the main Group representative vis-à-vis the regulators, authorities and other major stakeholders. • The chairman's direct reports are the CEO and the senior managers in charge of long-term strategy of the Bank (such as Corporate Development), the corporate functions (such as Communications and General secretariat) and control (including Risk and Internal Audit) and those areas not directly related to the day-to-day management of the business. • The chairman also leads the appointment and succession planning of the senior management of the Bank. 	<ul style="list-style-type: none"> • The chief executive officer is entrusted with the day-to-day management of the business. • Accordingly, the chief executive officer's direct reports are the senior managers in charge of the businesses (heads of the regional -Europe, North America and South America- and global businesses) and of the functions supporting the business (such as Finance, Financial control and IT & operations).

There is a clear separation of duties between those of the Group executive chairman, the chief executive officer, the board, and its committees, and various checks and balances that assure proper equilibrium in the Bank's corporate governance structure, including the following:

- The board and its committees oversee and control the activities of both the Group executive chairman and the chief executive officer.
- The board of directors has delegated to each of the executive chairman and the chief executive officer all the powers of the board except those that cannot be delegated pursuant to the law, the Bylaws and the Rules and regulations of the board. The board directly exercises those powers in the performance of its general supervisory function.
- The role of the lead independent director, who leads the appointment and succession planning for the Group executive chairman and plays a key role in corporate governance, as detailed below.
- The audit committee is chaired by an independent director, considered to be a financial expert, as this term is defined in Regulation S-K of the Securities and Exchange Commission (SEC).
- The Group executive chairman may not hold simultaneously the position of chief executive officer of the Bank.
- The corporate risk, compliance and internal audit functions, as independent units, report to a committee or a member of the board of directors and have direct and unfettered access to the board when they deem it appropriate.

Lead independent director

The role of the lead independent director is key in our governance structure, as he oversees the proper coordination of non-executive directors and ensures that they serve as an appropriate counter-balance to the executive directors.

The following chart illustrates his functions and their application in 2019:

Duties of the lead independent director and activities during 2019

Duties	Activities during 2019
Facilitate discussion and open dialogue among the independent directors, including by coordinating meetings of non-executive directors and generally engaging with them to canvas their views.	Three meetings were held with non-executive directors, without executive directors being present, where they were able to voice any concerns or opinions. Furthermore, these meetings represented a valuable opportunity to discuss other matters including board training topics, performance of the executive directors and the functioning of the board committees.
Direct the regular assessment of the chairman of the board of directors and coordinate her succession plan.	Leadership in the annual assessment of the chairman in order to determine her variable remuneration.
Engagement with shareholders and other investors with the purpose of gathering information on their concerns, in particular, with regard to the Bank's corporate governance.	See section 3.1 ' Shareholder engagement '.
Replace the chairman in the event of absence with key rights such as the ability to call board meetings under the terms set down in the Rules and regulations of the board of directors.	The lead independent director chaired three meetings of the executive committee due to such absence.
Request that a meeting of the board of directors be called or that new items be added to the agenda for a meeting of the board.	Whilst no such meetings were called by the lead independent director, he remained fully engaged on board meeting content.

Board committee structure

The board currently has seven committees and one international advisory board.

For a description of the composition, functions, rules of operation and activities of:

- The executive committee, see section [4.4](#).
- The audit, appointments, remuneration, risk supervision, regulation and compliance, responsible banking, sustainability and culture, and the innovation and technology committees, see their activities reports in sections [4.5](#), [4.6](#), [4.7](#), [4.8](#), [4.9](#) and [4.10](#) respectively.

	Voluntary committees (permitted under Bylaws)		Mandatory committees (required by law and under Bylaws)	
	Decision-making powers	Support and proposal in strategic areas	Supervision, information advice and proposal functions in risk, financial information and audit, nomination and remuneration matters	
Board committees	Executive committee	Responsible banking, sustainability and culture committee	Audit committee	Appointments committee
		Innovation and technology committee	Risk supervision, regulation and compliance committee	Remuneration committee
External advisory board		International advisory board (members are non-directors)		

Secretary of the board

Mr Jaime Pérez Renovales is the secretary of the board. He assists the chairman in her duties and ensures the formal and material legality of all action taken by the board. He also ensures that good governance recommendations and procedures are observed and regularly reviewed.

The secretary of our board is the general secretary of the Bank, and also acts as secretary for all board committees; he does not need to be a director in order to hold this position.

A report from the appointments committee is required prior to submission to the board of proposals for the appointment or removal of the secretary.

Our board also has a deputy secretary to the board, Mr Óscar García Maceiras, who also acts as deputy secretary for all board committees and assists the secretary and replaces him in the performance of his duties in the event of absence, inability to act or illness.

Proceedings of the board

The board of directors held 18 meetings in 2019, 10 ordinary meetings and 8 extraordinary meetings. The Rules and regulations of the board provide that it shall hold no less than nine annual ordinary meetings, and one meeting at least quarterly.

The board holds its meetings in accordance with a calendar established annually and an agenda of matters to be discussed, without prejudice to any further items that may be added or any additional meetings that need to be held according to the business needs that may arise. Directors may also propose the inclusion of items on the agenda. Directors are duly informed of any modifications to the calendar or the agenda of matters to be discussed.

Likewise, the board keeps a formal list of matters reserved to it and will prepare a plan for the distribution of those matters between the ordinary meetings established in the provisional calendar approved by the board.

The relevant documentation for each meeting of the board of directors and of the different committees to which the directors are members, is sent to the directors at least five business days before the board meeting and three business days before the corresponding committee meeting. The information, which is provided to the directors via secure electronic means, is specifically for the purpose of preparing these meetings. In the opinion of the board, that information is complete and is sent sufficiently in advance.

In addition, the Rules and regulations of the board of directors expressly recognise the directors' right to request and obtain information regarding any aspect of the Bank and its subsidiaries, whether domestic or foreign, as well as the right to inspect, which allows them to examine the books, files, documents and any other records of corporate transactions, and to inspect the premises and facilities of these companies. Furthermore, directors are also entitled to request and obtain, through the secretary, such information and advice deemed necessary for the performance of their duties.

The board shall meet whenever the chairman so decides, acting on her own initiative or at the request of not less than three directors. Generally, the meeting must be called 15 days in advance by the board secretary.

Additionally, the lead independent director is authorised to request that a meeting of the board of directors be called or that new items be added to the agenda for a meeting that has already been called.

Our directors must attend the meetings in person and shall endeavour to ensure that absences are reduced to cases of absolute necessity. In this regard, the appointments committee supervises that the attendance of directors to board of directors and committee meetings is not under 75%. For further information, see 'Board and committees attendance' in this section 4.3. If directors are unable to personally attend a meeting, they may grant a proxy to another director, in writing and specifically for each meeting, to represent them for all purposes therein. Proxy is granted with instructions and non-executive directors may only be represented by another non-executive director. A director may hold more than one proxy.

The board may meet in various rooms at the same time, provided that interactivity and communication among them in real time is ensured by audiovisual means or by telephone and the concurrent holding of the meeting is thereby ensured.

Board meetings are validly convened when more than half of its members are present in person or by proxy.

Resolutions are adopted by absolute majority of the directors attending in person or by proxy. The chairman has the casting vote in the event of a tie. The Bylaws and the Rules and regulations of the board only provide for qualified majorities for matters in which the law prescribes a qualified majority.

The board secretary maintains the documentation relating to the board of directors and maintains a record in the minutes of the content of the meetings. The minutes of the meetings held by the board of directors and its committees include any statements made at meetings that are expressly requested to be included in them.

The board may contract legal, accounting or financial advisers or other experts, at the Bank's expense, to assist in the exercise of their functions.

The board is tasked with promoting and encouraging communication between the various committees, especially between the risk supervision, regulation and compliance committee and the audit committee, and also between the former and the remuneration committee and the responsible banking, sustainability and culture committee. In this regard, some committees hold joint meetings throughout the year and any director may attend and participate in, but not vote, at meetings of board committees of which they are not a member, by invitation of the chairman of the board and of the chairman of the respective committee, after having requested attendance to the chairman of the board. Furthermore, all members of the board who are not also members of the executive committee may attend the meetings of such executive committee at least twice a year, for which purpose they shall be called by the chairman.

During the year, directors that are not members of the executive committee attended 12 of the total of 42 meetings held.

Comparison of number of meetings held^A

	Santander	Average Spain	US average	UK average
Board	18	10.8	7.9	7.6
Executive committee	43	8.6	—	—
Audit committee	13	8.6	8.4	5.3
Appointments committee	12	6.5	4.7	4.1
Remuneration committee	11	6.5	6.0	5.2
Risk supervision, regulation and compliance committee	14	15	NA	5.8

A. Source: Spencer Stuart Board Index 2019 (Spain, United States and United Kingdom).
NA: Not available.

The following chart shows the approximate allocation of time devoted by the board to each function in 2019.

2019 Approximate allocation of time of the board



Proceedings of the committees

The committees hold their meetings in accordance with a calendar, which includes at least four meetings, and an annual work plan established yearly. Each committee meets as many times as it is required to fulfil its responsibilities.

Meetings of committees are validly held when more than one-half of its members are present in person or by proxy. The committee adopts its resolutions by majority vote of those present in person or by proxy. In the event of a tie, the chairman of the committee has the tie-breaking vote. The committee members may grant a proxy to another member, although non-executive directors may only be represented by another non-executive director.

Committee members are provided with the relevant documentation for each meeting sufficiently in advance of the meeting date, thereby ensuring committee effectiveness.

The committees have the power to require executives to attend their meetings, by invitation from the chairman of

the committee to attend under the terms established by the committee. The audit, appointments, remuneration and risk supervision, regulation and compliance committees may contract legal, accounting or financial advisers or other experts, at the Bank's expense, to assist in the exercise of their functions. The other committees may do so with Board approval.

The post of secretary to all the committees corresponds, in a non-voting capacity, to the general secretary and secretary to the board, who is also head of the Group's Human Resources area, fostering a fluid and efficient relationship with the different units that are expected to collaborate with, or provide information to, each committee.

Each committee chairman reports to the board of directors on the affairs discussed and the decisions made in the course of each committee meeting and, in addition, a copy of the minutes of each committee meeting and all the documentation provided for each committee meeting is made available to all directors.

Board and committee attendance

The table below shows the high rate of attendance to board and committee meetings.

Attendance to the board and committee meetings in 2019

Directors	Committees							
	Board	Executive	Audit	Appointments	Remuneration	Risk supervision, regulation and compliance	Innovation and technology	Responsible banking, sustainability and culture
Average attendance	97%	93%	98%	92%	98%	97%	97%	94%
Individual attendance								
Ms Ana Botín-Sanz de Sautuola y O'Shea	18/18	38/42	-	-	-	-	4/4	4/4
Mr. Bruce Carnegie-Brown	17/18	34/42	-	13/13	11/11	-	3/4	-
Mr José Antonio Álvarez Álvarez	18/18	42/42	-	-	-	-	4/4	-
Ms. Homaira Akbari	18/18	-	13/13	-	-	-	4/4	4/4
Mr Ignacio Benjumea Cabeza de Vaca	18/18	42/42	-	-	11/11	14/14	4/4	4/4
Mr Javier Botín-Sanz de Sautuola y O'Shea	18/18	-	-	-	-	-	-	-
Mr Henrique de Castro ^A	8/8	-	3/3	-	3/3	-	2/2	-
Ms Sol Daurella Comadrán	17/18	-	-	12/13	11/11	-	-	3/4
Mr Guillermo de la Dehesa Romero	18/18	42/42	-	13/13	11/11	-	4/4	-
Mr Rodrigo Echenique Gordillo ^B	18/18	10/15	-	6/7	-	-	-	-
Ms Esther Giménez-Salinas i Colomer ^C	18/18	-	-	3/3	-	14/14	-	4/4
Mr Ramiro Mato García-Ansorena	18/18	42/42	13/13	-	-	14/14	-	4/4
Ms Belén Romana García	18/18	38/42	13/13	-	-	14/14	4/4	4/4
Mr Álvaro Cardoso de Souza	15/18	-	-	-	-	12/14	-	3/4
Mrs Pamela Walkden ^D	3/3	-	2/2	-	-	-	-	-

A. Member of the board since 17 July 2019; member of the innovation and technology committee since 23 July 2019, member of the audit committee since 21 October 2019 and member of the remuneration committee since 29 October 2019.

B. Left the executive committee on 1 May 2019 and is member of the appointments committee since that date.

C. Member of the appointments committee since 29 October 2019.

D. Member of the board and of the audit committee since 29 October 2019.

The following table shows the average dedication of our directors to the board and committees:

Average dedication our directors to the board and committees

	Meetings per year	Average of hours per meeting of the members ^A	Average of hours per meeting of the chair ^B
Board	18	120 ^B	240 ^B
Executive committee	42	210	420
Audit committee	13	130	260
Appointments committee	13	52	104
Remuneration Committee	11	44	88
Risk supervision, regulation and compliance Committee	14	144	288
Responsible banking, sustainability and culture Committee	4	20	40
Innovation and technology Committee	4	16	32

A. Includes the hours of preparation and attendance at meetings.

B. Of the 10 ordinary meetings held.

On average, each of our directors has dedicated approximately 50 days per year to their role as director (including their participation in the different committees), and 5 days for each board meeting, working daily 8 hours.

Directors must inform the appointments committee of any professional activity or position for which they are going to be proposed, so that the time commitment to the Group can be assessed on an ongoing basis, and any possible conflict of interest derived from such position can be verified.

Additionally, the annual suitability reassessment made by our appointments committee (see in section 4.6 '[Appointments committee activities in 2019](#)') allows us to keep up to date all information relating to the estimated time dedicated by directors to other positions and/or professional activities and to confirm their capacity to exercise good governance as directors of the Bank.

This allows the Bank to verify compliance with applicable legal requirements regarding the maximum number of company boards to which our directors may belong at the same time (no more than one executive position and two non-executive positions, or four non-executive positions, including positions held in the same Group as a single position and not including positions held at non-profit organisations or entities that do not pursue commercial activities).

Training of directors and induction programmes for new directors

Given the board's commitment to continuously improve its functioning, an ongoing knowledge update and training programme for the board is in place, which is prepared at the beginning of each year and covers topical matters.

In 2019, seven training sessions were provided both by internal and external speakers.

Among others, the training programme included items relating to the publication of regulations concerning IFRS 16 (Leases) as well as IFRS 17 (Insurance Contracts) and their impact on the Group; regulatory and economic capital, as well as the Group's capital strategy; an explanation on the Group's new reporting to the market structure; an explanatory session on the Ebury investment opportunity prior to its approval; the responsible banking agenda, including a specific session on climate change; an update on anti-money laundering; the Agile working methodology; a review of the Risk Appetite Statement in 2019 and an informative session on new ways of working.

In addition, the board has robust induction and development programmes for new directors to develop their understanding of the Group's business, including governance rules, where key members of the management of the Group provide detailed information on their areas of responsibility, while addressing any specific development needs identified in the director's suitability assessment process. In 2019 and in early 2020, Mr Henrique de Castro and Mrs Pamela Walkden completed their induction programmes, respectively. These programmes were designed for them on the basis of their experience and the specific induction needs identified during their assessment processes.

In 2019, as a result of the annual assessment of the board and its committees functioning, the board approved, among others, the development of induction programmes that incorporate visits to the Bank's main subsidiaries, and that cover training on country-specific macroeconomic environment, business activities and regulation.

Assessment of the board

The board conducts a yearly assessment of its functioning and the effectiveness of its work. At least once every three years, the assessment process is conducted by an external independent consultant, whose independence is assessed by the appointments committee. The last external assessment took place in 2017.

Action Plan following the 2018 assessment

In 2018, the board assessment was carried out internally and the overall review was positive in terms of outcome and key findings. The exercise resulted in an action plan for further continuous improvement in board effectiveness, which focused mainly on the composition and organisation of the board, board dynamics and internal culture and the functioning of board committees.

During 2019, the implementation of the action plan was monitored by the appointments committee and the plan was successfully completed and implemented, enhancing the overall functioning and effectiveness of the board, which was periodically informed of the status of these actions.

2019 assessment

In 2019, the board conducted the assessment internally. The scope of the assessment included the functioning of the board and all of its committees, as well as individual performance of the chairman of the board of directors, the chief executive officer, the lead independent director, the secretary and each individual director.

The process, coordinated by the chairman of the Board and the lead independent director, followed the methodology and structure of previous assessments, based on a confidential, anonymous questionnaire that was fully completed by all of our board members and focused on the following aspects:

- In relation to the board as a whole: (i) structure (size and composition; skills and competencies), (ii) organisation and functioning (planning of meetings, quality of reporting, training areas, reporting from committees) and (iii) dynamics and internal culture (including formal and informal engagement between the Board and the Executive).
- In relation to the board committees: (i) leadership, size and composition, (ii) responsibilities and (iii) quality of reporting and timeliness.
- Individual performance of the chairman of the board, the chief executive officer, the lead independent director and the general secretary.
- In relation to the performance of each individual director: (i) willingness to speak up at meetings, (ii) contribution and receptiveness of the views of others, (iii) constructively challenging fellow directors and management, (iv) applying a strategic mindset to board and committee discussions and (v) bringing their own skills and experience to the board.

The results of the 2019 assessment process, the findings and specific actions of which were debated by the board and its committees, demonstrated directors' overall satisfaction with improved effectiveness, and in particular revealed the following:

- The appropriate size and level of independence within the board and committees, noting positive enhancements to the depth and breadth of board skills through recent appointments.
- The overall quality and timeliness of information received, as well as the improvement made on agenda planning and content, which helps directors to focus on key strategic and business issues.
- The overall rigour and depth of induction programs for new directors.
- The open and transparent discussions and constructive challenge of senior management during meetings and the importance of having visibility of emerging talent to ensure effectiveness of the internal succession plans.
- The effective leadership and operation of committees in supporting the board and the ongoing need to ensure time is allowed to cover the topics scheduled.
- The positive overall performance of the chairman of the board, CEO, lead independent director and general secretary and the high degree of confidence in these individual's competence to serve their roles to a high standard.

As a result of the assessment, on 27 February 2020, the board, with the prior report of the appointments committee, approved an action plan with improvements in the following areas:

- **Structure of the board:** As a part of any future Board refreshment, consider strengthening board composition to increase its experience in financial and auditing, technology and coverage of Latam and Mexican markets.
- **Organisation and functioning of the board:**
 - Continue to monitor the proper balance between the mandatory regulatory agenda and business topics, the continued quality of Board and Board Committee papers covering material matters and associated analysis, distributed -sufficiently in advance to facilitate challenge. Ultimately this will continue to help ensure that board time is used optimally given the increasing demands and challenges faced given the uncertain economic and geo-political environment.
 - Continue to develop directors' ongoing training, development and knowledge refreshment programs to ensure that they include relevant matters, resulting in the constant update of their knowledge and the proper performance of their duties.
- **Board dynamics and internal culture:** continue to provide dynamic and agile opportunities, inside and outside the boardroom, for the board to develop its interaction with senior executives and broader talent. This will include engaging local teams during country visits, ultimately ensuring confidence in internal succession plans.
- **Board committees:**
 - Keep the current composition of the executive committee under review, especially taking into account the ongoing reform of the Spanish Corporate Governance Code, where the recommendation to have an executive committee aligned with the composition of the board may change.
 - Further optimise the role and -functioning of the board innovation and technology committee- given the complementary work of the International Advisory Board and keep under review the coordination mechanisms between their respective roles.

Other improvements in governance

Given the key importance of ensuring that changes in the senior management are smooth, ensuring continuity and stability, during 2019 the appointments committee performed an overall review of the succession planning process both for the directors and the key managerial roles to identify areas of improvement. These improvements were included in the updating of the succession policy for managerial positions throughout the Group, approved by the board on 27 February 2020, and will also be included in the updating of the policy for the selection, suitability assessment and succession of directors to be submitted to the board for approval, based on the proposal of said committee, in March 2020. The succession planning review resulted in an improved process with a clear methodology and responsibilities' allocation, as well as overall effectiveness monitoring and controls. It also provides for regular reporting to the board, with pre-defined risk-based indicators to be analysed at an appropriate level of detail, which will ensure supervision of the process effectiveness and of the risks related to key roles succession.

4.4 Executive committee activities in 2019

Composition

Composition	Category
Chairman Ms Ana Botín-Sanz de Sautuola y O'Shea	Executive
Mr José Antonio Álvarez Álvarez	Executive
Mr Bruce Carnegie-Brown	Independent
Members Mr Ignacio Benjumea Cabeza de Vaca	Other external
Mr Guillermo de la Dehesa Romero	Other external
Mr Ramiro Mato Garcia-Ansorena	Independent
Ms Belén Romana Garcia	Independent
Secretary Mr Jaime Pérez Renovales	

During 2019, Mr Rodrigo Echenique stepped down as a member of the committee.

Functions

The executive committee is a basic instrument for the corporate governance of the Bank and its Group. It exercises by delegation all the powers of the board, except those which cannot be delegated pursuant to the law, the Bylaws or the Rules and regulations of the board. This allows the board to focus on its general supervisory function. Oversight of the executive committee is ensured through regular reports submitted to the board on the principal matters dealt with by the committee and by making available to all directors the minutes of its meetings and all the supporting documentation made available to it.

How the committee works

The board of directors determines the size and qualitative composition of the executive committee, adjusting to efficiency criteria and reflecting the guidelines for determining the composition of the board. The executive committee, although it does not exactly replicate the qualitative composition of the board of directors, since the presence of all executive directors must be combined with a size that allows an agile development of their functions, is aligned with having a majority of external directors, including three independent directors. The secretary of the board is also the secretary of the executive committee.

The executive committee meets as many times as it is called to meet by its chairman or by the vice chairman in her absence. It generally meets once a week.

'Proceedings of the committees' in section 4.3 above contains further details on the general rules applicable to the functioning of the board committees.

Main activities in 2019

During 2019 the executive committee took action relating to business of the Group, the main subsidiaries, risk matters, corporate transactions and the main matters that are subsequently submitted to the full board:

- **Earnings:** The committee was kept up to date on Group earnings, and their impact on investors and analysts.

- **Business performance:** The committee was kept continuously and fully informed of the performance of the Group's various business areas, through management reports or specific reports on determined subjects submitted. It was also informed of various projects relating to the transformation and development of the Group's culture (Simple, Personal and Fair).
- **Information reported by the chairman:** The chairman of the board of directors, who also chairs the executive committee, regularly reported on key aspects relating to Group management, strategy and institutional issues.
- **Corporate transactions:** The committee analysed and, where applicable, approved corporate transactions carried out by the Group (investments and divestments, joint ventures, capital transactions, etc.).
- **Banco Popular:** The committee continuously monitored Banco Popular integration process and its associated risks and mitigating controls.
- **Risks:** The committee was regularly informed about the risks facing the Group and, within the framework of the risk governance model, made decisions about transactions that had to be approved by it due to their amount or relevance.
- **Subsidiaries:** The committee received reports on the performance of the various units and, in line with current internal procedures, authorised transactions and appointments of directors and some key positions of subsidiaries.
- **Capital and liquidity:** The committee received frequent information on the performance of capital ratios and of the measures being used to optimise these ratios, in addition to reviewing regulatory plans.
- **Talent and culture:** The committee received ongoing reports of the implementation of the corporate culture and values within the Group, including the results of the Annual Engagement Survey.
- **Activities with supervisors and regulatory matters:** The committee was regularly informed of the initiatives and activities of supervisors and regulators, in addition to projects to ensure compliance with its recommendations and regulatory changes.
- **Governance models:** The committee approved the governance policy for factories and investees.
- **Issuances by delegation from the board:** Under the delegation conferred by the 2019 AGM, and the subsequent sub-delegation of the board of directors' powers in its favour, the committee resolved to issue preferred securities contingently convertible into newly issued ordinary shares of the Bank and to make other debt issuance.

In 2019, the executive committee held 42 meetings. 'Board and committees attendance' in section 4.3 provides information on the attendance of committee members at

those meetings and the average estimated time dedicated by each member of the committee to prepare for, and participate in, meetings held in 2019.

4.5 Audit committee activities in 2019

This section constitutes the audit committee activities report prepared by the committee on 24 February 2020 and approved by the board of directors on 27 February 2020.

Composition

Composition	Category
Chairman Ms Belen Romana Garcia	Independent
Ms Homaira Akbari	Independent
Members Mr Henrique de Castro	Independent
Mr Ramiro Mato García-Ansorena	Independent
Mrs Pamela Walkden	Independent
Secretary Mr Jaime Pérez Renovales	

The board of directors has appointed the members of the committee bearing in mind their knowledge, aptitude and experience in relation to the committee's scope and responsibilities.

Specifically, Ms Belén Romana García, the committee's chairman, is considered to be a financial expert, as defined in SEC Regulation S-K, based on her training and expertise in accounting, auditing and risk management, and as a result of having held various positions of responsibility at entities in which knowledge of accounting and risk management was essential.

For further information about the skills, knowledge and experience of each of the committee members, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

During 2019, Mr Carlos Fernández stepped down as a member of the committee. Mr Henrique de Castro and Mrs Pamela Walkden were appointed new members of the committee on 21 October 2019 and 29 October 2019, respectively.

External auditor

Our external auditor is PricewaterhouseCoopers Auditores, S.L. (PwC) with registered office in Madrid, Paseo de la Castellana, no. 259 B, with Tax ID Code B-79031290 and registered in the Official Registry of Auditors of Accounts (Registro Oficial de Auditores de Cuentas) of the Accounting and Audit Institute (Instituto de Contabilidad y Auditoría de Cuentas, (ICAC)) of the Ministry for Economy with number S0242.

The lead partner is Mr Alejandro Esnal. As an audit leader for banking, he participates actively in committees and working groups of the sector and collaborates proactively with the financial regulation department, on matters such as the restructuring of the sector or the strengthening of banking practices.

Report on the independence of the external auditor

The audit committee has verified the independence of the external auditor, at its meeting of 24 February 2020 and prior to the issuance of the 2019 auditor's report on the financial statements. This verification was conducted in line with the terms established under section 4.f) of article 529 quaterdecies of the Spanish Companies Act, and under article 17.4.c)(iii) of the Rules and regulations of the board, concluding that, in the committees' opinion, there are no objective reasons for doubting the independence of the external auditor.

To evaluate the independence of the external auditor, the committee has considered the information included under section 'Duties and activities in 2019' below on the remuneration of the auditor for audit services and any other services and the written confirmation from the external auditor itself confirming its independence with respect to the Bank under the applicable European and Spanish legislation, the SEC rules and the rules of the Public Company Accounting Oversight Board (PCAOB).

Proposed re-election of the external auditor for 2020

As indicated in section 3.6 'Our coming 2020 AGM', the board of directors, following the proposal of the audit committee, has submitted to our 2020 AGM the re-election of PwC as external auditor for 2020. In case that PwC is re-elected, and Mr. Esnal continues as the lead partner in auditing the accounts, this would be his last year as lead partner of the auditor, according to the Spanish Law on Auditing.

Duties and activities in 2019

This section contains a summary of the audit committee's activities in 2019, classified in accordance with the committee's duties.

Duties	Actions taken
Financial statements and other financial and non-financial information	
<ul style="list-style-type: none"> • Review the financial statements and other financial and non-financial information 	<ul style="list-style-type: none"> • Reviewed the individual and consolidated financial statements and directors' reports for 2019 and endorsed their content, prior to their authorisation for issue by the board, and ensured compliance with legal requirements and the proper application of generally accepted accounting principles and that the external auditor issued the corresponding report with regard to the effectiveness of the Group's system of internal control of financial reporting (ICFR). • Endorsed quarterly the financial information statements dated 31 December 2018, 31 March, 30 June and 30 September 2019, respectively, prior to their approval by the board and their disclosure to the markets and to supervisory bodies. • Reviewed other financial information such as: annual corporate governance report; DRA filed with CNMV; Form 20-F with the financial information of 2018, filed with SEC; the half-yearly financial information filed with CNMV and with SEC in Form 6-K, and the Group's interim consolidated financial statements specific to Brazil. • Analysed the goodwill ascribed to Santander UK and determination of an accounting impairment as a result. To do this, review of the change in the outlook for Santander UK as a result of a challenging regulatory environment, including the various negative impacts of the Banking Reform Act (ring-fencing), the competitive pressure in the country and the impact that uncertainty relating to Brexit has had on UK economic growth • Reviewed the non-financial and diversity information that the Bank must disclose pursuant to applicable legal provisions.
<ul style="list-style-type: none"> • Report to the board about the tax policies applied 	<ul style="list-style-type: none"> • Received information from the Group's tax advisory unit regarding the tax policies applied, in compliance with the Code of Good Tax Practices and submitted this information for the board of directors.
Relationship with the external auditor	
Auditing the financial statements	
<ul style="list-style-type: none"> • Receive information on the audit plan and its implementation 	<ul style="list-style-type: none"> • Obtained confirmation from the external auditor that it has had full access to all information, to conduct its activity. • Discussed improvements in the reporting of financial information resulting from changes to accounting standards, and best international practices. • Analysed the detailed information on the planning, progress and execution of the audit plan and its implementation. • Analysed the auditor's reports for the annual financial statements prior to the external auditor's report to the board of directors.
<ul style="list-style-type: none"> • Relations with the external auditor 	<ul style="list-style-type: none"> • The external auditor attended 12 of 13 committee meetings held in 2019, serving as a channel of communication between the external auditor and the board. • The committee met two times with the external auditor without the presence of the Bank's executives relating to the audit work.
<ul style="list-style-type: none"> • Assessment of the auditor's performance 	<ul style="list-style-type: none"> • Performed an evaluation of the external auditor and how it has contributed to the integrity of the financial information considering, amongst others, its work and the opinion of the different units and divisions. In this evaluation, the committee was informed by the auditor and also analysed the results of any inspections carried out by the regulators on PwC.

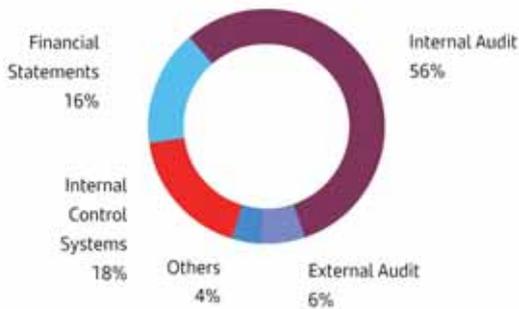
Duties	Actions taken																																				
Independence																																					
<ul style="list-style-type: none"> PwC's remuneration for audit and non-audit services 	<ul style="list-style-type: none"> Monitored the remuneration of PwC; the fees for the audit and non-audit services provided to the Group that were as follows: <table border="1"> <thead> <tr> <th>EUR million</th> <th>2019</th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Audits</td> <td>98.2</td> <td>92.1</td> <td>88.1</td> </tr> <tr> <td>Audit-related services</td> <td>7.4</td> <td>6.8</td> <td>6.7</td> </tr> <tr> <td>Tax advisory services</td> <td>0.7</td> <td>0.9</td> <td>1.3</td> </tr> <tr> <td>Other services</td> <td>2.3</td> <td>3.4</td> <td>3.1</td> </tr> <tr> <td>Total</td> <td>108.6</td> <td>103.2</td> <td>99.2</td> </tr> </tbody> </table> <p>The 'Audits' heading includes mainly, audit fees for the Banco Santander, S.A. individual and consolidated financial statements, as the case may be, of the companies of the Group, the integrated audits prepared for the annual report filling in the Form 20-F required by the U.S. Securities and Exchange Commission (SEC) for those entities currently required to do so, the internal control audit (SOx) for those required entities, the audit of the consolidated financial statements as of 30 June and, the regulatory reports required by the auditor corresponding to the different locations of Santander Group.</p> <p>The main fees included in 'Audit-related services' heading correspond to the issuance of comfort letters or other reviews required by different regulations in relation to securitization and other matters.</p> <p>The amount of fees paid for non-audit works and the percentage they represent of all fees invoiced to the company and/or its group is as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Company</th> <th>Group companies</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Amount of non-audit work (EUR thousand)</td> <td>199</td> <td>2,824</td> <td>3,023</td> </tr> <tr> <td>Amount of non-audit work as a % amount of audit work</td> <td>0.2%</td> <td>2.6%</td> <td>2.8%</td> </tr> </tbody> </table> <p>In 2019, the Group commissioned services from audit firms other than PwC for an amount of EUR 227.6 million (173.9 and 115.6 EUR million in 2018 and 2017, respectively).</p>	EUR million	2019	2018	2017	Audits	98.2	92.1	88.1	Audit-related services	7.4	6.8	6.7	Tax advisory services	0.7	0.9	1.3	Other services	2.3	3.4	3.1	Total	108.6	103.2	99.2		Company	Group companies	Total	Amount of non-audit work (EUR thousand)	199	2,824	3,023	Amount of non-audit work as a % amount of audit work	0.2%	2.6%	2.8%
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<ul style="list-style-type: none"> Non-audit services. Assess threats to the independence and the safeguard measures 	<ul style="list-style-type: none"> Reviewed services rendered by PwC, and verified its independence. For these purposes: <ul style="list-style-type: none"> Verified that all services rendered by the Group's auditor, including audit and audit-related services, tax advisory services and other services detailed in the section above, met the independence requirements set out in the applicable regulation. Verified the ratio of fees received during the year for non-audit and audit-related services to total fees received by the auditor for all services provided to the Group, with this ratio for 2019 standing at 2,8% Average fees paid to auditors in 2019 for non-audit and related services account for 12% of total fees paid as a benchmark according to available information on the leading listed companies in Spain. Verified the ratio of fees paid for all items relating to the services provided to the Group to total fees generated by PwC as a firm in 2019. Group's total fees paid are less than 0,3% of PwC's total revenue in the world. Reviewed the banking transactions performed with companies related to PwC, concluding that no transactions have been carried out that compromise PwC's independence. 																																				
<ul style="list-style-type: none"> External auditor independence report 	<ul style="list-style-type: none"> After considering the information detailed above, the committee issued the Report on the independence of the external auditor, which information is provided at the beginning of this section. 																																				
Re-election of the external auditor																																					
<ul style="list-style-type: none"> Re-election of the external auditor 	<ul style="list-style-type: none"> Proposed to the board, for subsequent submission to the 2020 AGM, the re-election of PwC as the external auditor of the Bank and its consolidated Group for 2020. 																																				
Internal audit function																																					
<ul style="list-style-type: none"> Assess the performance of Internal audit function 	<ul style="list-style-type: none"> Supervised the internal audit function and ensured its independence and efficacy throughout 2019. Reported on the progress of the internal audit plan, allowing the committee to have an exhaustive control on Internal audit recommendations and ratings of the different units and corporate divisions. The chief audit executives of the main units and corporate divisions have reported at least once to the committee during 2019 and the intention is to maintain this discipline for 2020. Representatives of the Internal Audit division attended 12 of 13 meetings held by the audit committee in 2019; one of them with the chief audit executive without the presence of other executives or the external auditor. Proposed the budget of internal audit function for 2020, ensuring that it has the material and human resources necessary to carry out its function. Reviewed the annual audit plan for 2020, based on a comprehensive risk assessment, and submitted it to the board for approval. Received regular information of the internal audit activities carried out. In 2019, there was an improvement in the overall distribution of audit ratings, in part due to continued focus on building a stronger control environment. All audit reports issued were subject to additional scrutiny by the committee with the relevant business areas required to present their action plans to it. Reviewed the application of the measures included in the strategic internal audit plan for the 2019-2022 period. Assessed the adequacy and effectiveness of the internal audit function when performing its mission, as well as the chief audit executive's performance in 2019, which was reported to the remuneration committee and to the board in order to establish his variable remuneration. 																																				

Duties	Actions taken
Internal control systems	
<ul style="list-style-type: none"> • Monitor the efficacy of internal control systems 	<ul style="list-style-type: none"> • Received information on the process of evaluating and certifying the Group's internal control model (ICM) for 2018 and assessed its effectiveness, in compliance applicable regulations with the CNMV ICFR and SEC Sarbanes-Oxley Act (SOX). The main focus during the year was the reduction of risks associated with risk control. To this end specific remediation plans are in force and regular updates are being provided to the committee. • Reviewed the effectiveness of the Bank's internal controls on the generation of financial information contained in the Group's consolidated annual report filed in the US (Form 20-F) for 2018, as required by the SOX, concluding that, in its opinion, the Group maintained effective internal control over said financial information, in all material aspects.
<ul style="list-style-type: none"> • Whistleblowing channel 	<ul style="list-style-type: none"> • Received information from the Compliance & Conduct area about the activity of the whistleblowing channel ("Canal Abierto") specially in regard to issues relating to questionable financial and accounting practices and the process of generating financial information, auditing and internal controls, verifying that in 2019 there was no claim regarding these issues filed through this channel.
<ul style="list-style-type: none"> • Coordination with Risk 	<ul style="list-style-type: none"> • Developed different activities to ensure that the internal audit plan is properly addressed towards the relevant risks of the Group and joint meetings with board risk supervision, regulation and compliance committee in order to share information regarding model risk, IT and obsolescence risk, whistleblowing, policy on outsourcing of services, implementation of the EBA Guidelines and other matters.
<ul style="list-style-type: none"> • Other activities 	<ul style="list-style-type: none"> • The committee was informed of the progress made on the Group's digital strategy and the Bank's policies of third-party suppliers.
Related-party and corporate transactions	
<ul style="list-style-type: none"> • Creation of entities in countries considered tax havens 	<ul style="list-style-type: none"> • Endorsement of a criteria for the approval of the creation or acquisition of shareholdings in entities domiciled in countries or territories which have the consideration of tax havens, in line with the Bank's commitment to limit and control the reputational, tax and legal risks arising from investments in entities domiciled in tax havens. • The committee was informed by the head of Tax unit about the activities of the of-shore entities of the Group established according to current Spanish regulation. See note 3 c) in the 'Notes to the consolidated annual accounts'.
<ul style="list-style-type: none"> • Approval of related party transactions 	<ul style="list-style-type: none"> • Reviewed that the transactions carried out by the Bank with related parties did not meet the terms envisaged by law and in the Rules and regulations of the board and did not require approval from the governing bodies. No member of the board of directors, direct or indirectly, has carried out any significant transactions or any transaction on non-customary market conditions with the Bank. The committee has examined the information regarding related party transactions in the financial statements. See section 4.12 'Related-party transactions and conflicts of interest'. • Reviewed, and with its favourable report, submitted to the board for its approval the update of the policy for admission, authorisation and monitoring of financial transactions with directors and members of senior management of the Bank.
<ul style="list-style-type: none"> • Transactions involving structural or corporate modifications 	<ul style="list-style-type: none"> • Reviewed the transactions involving structural or corporate modifications planned by the Group during 2019 prior to the submission to the board of directors, analysing their economic conditions and the accounting and internal audit impact.
Information for the general shareholders' meeting and corporate documentation	
<ul style="list-style-type: none"> • Shareholders information 	<ul style="list-style-type: none"> • At our 2019 AGM, Ms Belén Romana, acting as the committee's chairman, reported to the shareholders on the matters and activities within the purview of the audit committee.
<ul style="list-style-type: none"> • Corporate documentation for 2019 	<ul style="list-style-type: none"> • Drafted the report of the committee for the year 2019, which includes a section dedicated to the activities carried out during the year, an analysis and assessment of the fulfilment of the functions entrusted to it, and the priorities for 2020 identified following the assessment carried out by the board and its committees.

Time devoted to each task

In 2019, the audit committee held 13 meetings. 'Board and committees attendance' in section 4.3 provides information on the attendance of committee members at those meetings and on the estimated average time devoted by them to preparing and participating in such meetings.

The chart below shows the distribution of the approximate time dedicated to each task by the committee in 2019.



Annual assessment of the functioning of the committee and fulfilment of the goals set for 2019

The committee's effectiveness during 2019 was considered as part of the overall internal assessment of board effectiveness carried out internally this year. The committee considered the findings and suggested actions resulting from the review and related to the audit committee.

In 2019, the committee addressed all the challenges put forward for the year and identified in the 2018 activities report, especially regarding coordination with units and divisions. Different activities have been conducted in order to facilitate effective oversight, agree key matters and sharing of Group expectations across the main geographies of the Group with the participation of the Group audit committee Chairman in different units' audit committee meetings held during 2019.

The second Santander audit committee Chairs convention was held in May 2019 with a special focus on the following key areas: Internal audit and the concept of the hub; accounting and financial control and focus on internal control environment; T&O with special attention to cyber and obsolescence; the external auditor; the importance of the internal control environment and risk assessment; and the focus of supervisors on capital, models and governance matters.

Also, the committee has strengthened its audit and financial skills increasing its size (from four to five members). There has been appropriate director training on financial and audit topics, including amongst others, IRFS 16 and IRFS 17.

The self-assessment process positively rated both the composition of the committee and the very high degree of dedication among its members, as well as the chairman's leadership. The frequency of its meetings were also found to be appropriate for its proper functioning and for the performance of their duties of supporting, informing, proposing and advising the board. Sufficient and accurate

documentation provided on the topics discussed strengthened the quality of debate among members and facilitated sound decision-making.

2020 priorities

The committee has identified the following priorities for 2020:

- The replacement of the committee Chair after four years since her appointment (according to the Spanish Companies Act and the Rules and regulations of the board) and the ongoing effectiveness of the committee.
- Continue working on coordination with main units and divisions developing mechanisms to share information on a regular basis. Schedule the agenda of the committee to ensure that key local topics and internal audit issues are adequately covered.
- Continue working on the achievement of a cross view of certain key topics by the so called 'white books', to ensure a proper oversight and monitor units and divisions taking into account the ratings provided by Internal Audit.
- Further strengthening of the internal control environment risk assessment, digital transformation and relations with third parties suppliers.

4.6 Appointments committee activities in 2019

This section constitutes the appointments committee activities report prepared by the committee on 24 February 2020 and approved by the board of directors on 27 February 2020.

Composition

Composition	Category
Chairman Mr Bruce Carnegie-Brown	Independent
Ms Sol Daurella Comadrán	Independent
Members Mr Guillermo de la Dehesa Romero	Other external
Mr Rodrigo Echenique Gordillo	Other external
Ms Esther Giménez-Salinas i Colomer	Independent
Secretary Mr Jaime Pérez Renovales	

The board of directors has appointed the members of the committee bearing in mind their knowledge, aptitude and experience in relation to the committee's mission.

For further information about the skills, knowledge and experience of each of the committee members, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

During 2019, Mr Carlos Fernández and Mr Ignacio Benjumea stepped down as members of the committee. Furthermore, Mr Rodrigo Echenique and Ms Esther Giménez-Salinas i Colomer were appointed new members of the committee on 1 May and 29 October 2019, respectively.

Duties and activities in 2019

This section contains a summary of the appointments committee activities in 2019, classified in accordance with the committee's duties.

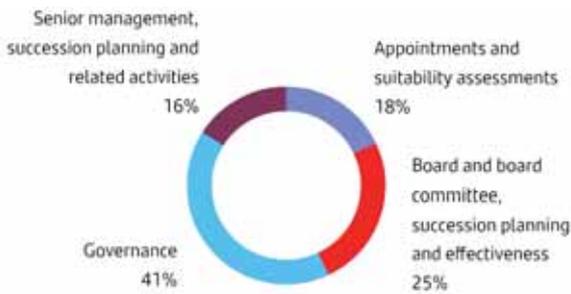
Duties	Actions taken
Appointments and removal of directors and committee members	
<ul style="list-style-type: none"> • Selection, suitability assessment and succession policy and renewal of the board and its committees 	<ul style="list-style-type: none"> • Updated the policy for the selection, suitability assessment and succession of directors to include the new gender equality target for the board (presence of women of 40% to 60%). • Ensured that the procedures for selecting board members guaranteed the individual and collective suitability of directors, fostering diversity of gender, experience and knowledge, and conducted the relevant analysis of the necessary competencies and skills for the position, and assessing the time and dedication required to properly perform the role. • Continued playing a leading role in the process on the appointment of both board members and top management executives as well as succession planning, including the chairmanship of committees. • Assessed the composition of the board committees to ensure continuity of appropriate skillset and experience, overall stability and appropriate distribution for the continued development of their duties. • Continued monitoring overall skills and competencies of the board of directors, including the need for coverage of strategic markets for the Bank and ongoing need for technology, digital strategy, banking, finance and regulatory experience and expertise. • Performed continuous oversight on appointments of key positions and regular review of leadership succession plans from a strategy perspective. • Ensured that in any appointment proposal the selection of the candidate pool, associated interview process and appointment decision actively took into account diversity.
<ul style="list-style-type: none"> • Appointment, re-election, ratification and removal of directors, and committee members 	<ul style="list-style-type: none"> • Examined the overall composition and skills of the board of directors and board committees to ensure that they are appropriate and identified, utilising the skills matrix, the desired areas of expertise and experience profiles for recruitment which informed the selection process. • Analysed the candidates presented, as well as their credentials, and assessed their skills and suitability for the position. • Submitted a proposal to the board, for subsequent submission to the AGM, for the appointment of Mr Henrique de Castro and the appointment by co-option of Mrs Pamela Walkden as new independent board members, and the re-election of Mr Javier Botín, Mr Ramiro Mato, Mr Bruce Carnegie-Brown, Mr José Antonio Alvarez and Ms Belén Romana. • Took note of the resignation of Mr Carlos Fernández as director, before his tenure expired. • Regarding the appointment of Mr Andrea Orcel as Group chief executive officer, in a joint appointment and remuneration committee meeting held on January 2019, it was proposed to the board not to continue with the appointment due to the reasons provided in the relevant material fact and other communications published. • Submitted proposals to the board regarding changes in the composition of the board committees, to further strengthen their performance and support to the board in their respective areas, according to the best international practices and our internal Rules and regulations of the board (see 'Board committees' in section 1.1). • Submitted a proposal to the board for the appointment of Ms Nadia Schadow as new member of the international advisory board and, upon completion of one year of their term of office and in accordance with the Bylaws, the re-election of the rest of its members (see section 4.11 'International advisory board').
Succession planning	
<ul style="list-style-type: none"> • Succession planning for executive directors and senior management 	<ul style="list-style-type: none"> • Analysed proposals for the updating and improvement of the selection, suitability assessment and succession policy for directors, approved by the board on 27 February 2020. • Continued the regular review and supervision of talent and succession plans from executive directors, senior management and key positions throughout the Group. This helped to ensure that sufficiently qualified personnel are available to allow for the execution of Group's strategic plans without interruption, safe-guard business continuity and avoid any relevant functions not being taken care of.
Verification of the status of directors	
<ul style="list-style-type: none"> • Annual verification of the status of directors 	<ul style="list-style-type: none"> • Verified the classifications of each director (as executive, independent and other external) and submitted its proposal to the board of directors for the purpose of its confirmation or review in the annual corporate governance report and at the AGM. See section 4.2 'Board composition'. • When assessing the independence of directors, the committee has verified that there is no significant business relationship between the Group and the companies in which they are, or have previously been, significant shareholders or directors and, in particular, with regard to the financing granted by the Group to these companies. In all cases, the committee concluded that the existing relationships were not significant because, among other reasons, the business relationships: (i) for business relationships consisting in financing: (a) do not generate a situation of economic dependence in the relevant companies in view of the ability to substitute such financing for other sources of funding, either bank-based financing or other, and (b) are aligned with the market share of Santander Group within the relevant market, and (ii) have not reached certain comparable materiality thresholds used in other jurisdictions as reference: e.g. NYSE, Nasdaq and Canada's Bank Act.

Duties	Actions taken
Periodic assessment	
<ul style="list-style-type: none"> Annual suitability assessment of directors and key function holders 	<ul style="list-style-type: none"> Assessed the suitability of the members of the board, the senior management, those responsible for internal control functions and those holding key positions of the Group, ensuring that they have commercial and professional integrity, and suitable knowledge and experience to perform their duties. In addition, the committee concluded that the board members are capable of carrying out good governance of the Bank, evaluating their attendance at the meetings of the board and of the committees of which they are members, and having verified an average attendance of approximately 95.75%, without any of them presenting a level of attendance at the board and the committees of which they are currently members below the minimum threshold of 75%, so no further action by the committee was needed in this respect. They also have capacity to make independent and autonomous decisions for the Group's benefit. During 2019, the committee was not informed by any director of the Bank, and, to the best of its knowledge, had no awareness, of any circumstance or situation that may harm the credit and reputation of the company, that had to be considered by the committee.
<ul style="list-style-type: none"> Potential conflicts of interest and other directors' professional activities 	<ul style="list-style-type: none"> Examined the information provided by the directors regarding other professional activities or positions to which they had been proposed concluding that such obligations did not interfere with the dedication required as Bank directors and that they were not involved in potential conflicts of interest that could affect the performance of their duties.
<ul style="list-style-type: none"> Board self-assessment process 	<ul style="list-style-type: none"> In coordination with the executive chairman, the 2019 self-assessment was performed internally, without the assistance of an external expert. The scope of the assessment included the board and all its committees, as well as the Group executive chairman, the chief executive officer, the lead director, the secretary and each director. See 'Self-assessment of the board' in section 4.3. Updated and submitted the board skills and diversity matrix to the board of directors for approval. See section 4.2 'Board skills and diversity matrix'.
Senior management	
<ul style="list-style-type: none"> Assessment of senior executive vice chairman and other key positions 	<ul style="list-style-type: none"> The committee issued favourable opinions, among others, regarding the following appointments, agreed by the board of directors: <ul style="list-style-type: none"> Mr Javier San Félix as head of the new global unit focused on payments services called Santander Global Payments Service. Ms Marjolein van Hellemond-Gerdingh as the new chief compliance officer (CCO) replacing Ms Mónica López-Monís, appointed head of supervisory and regulatory relations. Mr José Luis de Mora as new head of Santander Consumer Finance, S.A. replacing Ms Magda Salarich. In addition, the committee assessed favourably on the appointment of directors and members of senior management of the main subsidiaries of the Group.
<ul style="list-style-type: none"> Simplification and change management structure. Simplified organisational structure 	<ul style="list-style-type: none"> The committee issued a favourable opinion, regarding the creation of three new roles to manage the three geographies where the Bank operates. In order to improve co-operation and decision-taking in the execution of the Group's global strategy: <ul style="list-style-type: none"> Europe, led by Mr Gerry Byrne as head of Europe, with the country heads of Spain, Portugal, UK, Poland and Consumer Finance reporting to him. South America, led by Mr Sergio Rial as head of South America, with the country heads of Chile, Argentina, Uruguay and the Andean region reporting to him. North America, led by Mr Héctor Grisi with the country head of USA reporting to him.
Internal Governance	
<ul style="list-style-type: none"> Oversee internal governance including Group subsidiary governance 	<ul style="list-style-type: none"> Assessed the suitability of a number of appointments and/or re-elections to Group's subsidiaries subject to the Group's appointments and suitability procedure and oversee subsidiary Board composition to ensure that they remain appropriately composed. Received periodic explanations of the new governance regulatory developments, and emerging governance trends, and best governance practices and implications for the Group. Reviewed and submitted for board approval amendments to the Rules and regulations of the board of directors, in line with the CNMV Technical Guide 1/2019 on Nomination and Remuneration committees of 20 February 2019. Reviewed a proposed approach for remunerating those Group board members who serve on subsidiary boards in a non-executive capacity. Verified the monitoring of guidelines of the subsidiaries with the GSGM in relation to the board and board committees of structure of the subsidiaries and their duties in line with best practices. Proposed and approved the appointment of lead Group-nominated directors sitting on subsidiary boards to ensure that those persons representing the significant shareholder on subsidiary boards are suitable and fully aware of their duties and responsibilities.
Information for the general shareholders' meeting and corporate documentation	
<ul style="list-style-type: none"> Shareholders information 	<ul style="list-style-type: none"> At our 2019 AGM, Mr Bruce Carnegie-Brown acting as the committee's chairman, reported to the shareholders on the matters and activities within the purview of the committee. Received an overview of the highlights and results from the 2019 AGM. Reviewed the work undertaken jointly by the Lead Independent Director and the Shareholders and Investor Relations team, as well as feedback from the investors and shareholders regarding the Group's corporate governance arrangements.
<ul style="list-style-type: none"> Corporate documentation for 2019 	<ul style="list-style-type: none"> Drafted the report of the committee for the year 2019, which includes a section dedicated to the activities carried out during the year, an analysis and assessment of the fulfilment of the functions entrusted to it, and the priorities for 2020 identified following the assessment carried out by the board and its committees. Reviewed the annual corporate governance report.

Time devoted to each task

In 2019, the appointments committee held 13 meetings. 'Board and committees attendance' in section 4.3 provides information on the attendance of committee members at those meetings and on the estimated average time devoted by them to preparing and participating in such meetings.

The chart below shows the distribution of the approximate time dedicated to each task by the committee in 2019.



Annual assessment of the functioning of the committee and fulfilment of the goals set for 2019

The committee's effectiveness during 2019 was considered as part of the overall internal assessment of board effectiveness carried out internally this year. The committee considered the findings and suggested actions resulting from the review.

In 2019, the committee addressed all the challenges put forward for the year and identified in the 2018 activities report.

Different activities have been conducted on the Bank's cultural transformation. The committee received information about the Talent Development Programs and Human Resources initiatives focused on training and adapting the workforce of Santander to future needs.

In terms of diversity, we have moved to full gender equality at board level (presence of women of 40% to 60%) and Mr Henrique de Castro and Mrs Pamela Walkden have been appointed as new independent board members bringing broader diversity to the Board, in line with the best practice.

Following the aim to continuously improve the effectiveness of the board and the committees, the committee had an active role with the review and discussion of the annual board and committees effectiveness assessment, and subsequent follow-up of its implementation plan. The committee continued driving improvement of corporate governance across the Group, focusing especially on the effective functioning of the board and adequate oversight and control of its subsidiaries' operations.

The committee continued with the regular review of succession plans of members of the board and senior management relating to current and future strategy and potential challenges the business may face.

The self-assessment process positively rated the overall effectiveness of the committee, including the chairman's leadership. Sufficient and accurate documentation provided

on the topics discussed strengthened the quality of the debate among members and sound decision-making.

2020 priorities

The committee has identified the following priorities for 2020:

- **Corporate governance and subsidiary governance:** driving continuous improvement of corporate governance across the Group, focusing especially on the effective composition and functioning of board of directors and adequate oversight and control of its subsidiaries operations. Follow up on governance developments (trends, regulation, and best practices) and the implications for the Group, and keep under continuous review the emerging skill sets and experience required of board members. The committee will continue receiving feedback from investors and analysts provided to the Chairman, to the head of Investors Relations and to the head of Internal governance.
- **Succession planning:** continuous focus on succession management and regular review of plans having regard to current and future strategy and potential challenges the business may face when identifying future leadership needs and the development of internal succession.
- **Diversity:** the Bank will continue to strive toward gender balance and broader diversity. Focus on subsidiaries oversight in this respect.

4.7 Remuneration committee activities in 2019

This section constitutes the remuneration committee activities report prepared by the committee on 24 February 2020 and approved by the board of directors on 27 February 2020.

Composition

Composition	Category
Chairman Mr Bruce Carnegie-Brown	Independent
Mr Ignacio Benjumea Cabeza de Vaca	Other external
Members Ms Sol Daurella Comadrán	Independent
Mr Guillermo de la Dehesa Romero	Other external
Mr Henrique de Castro	Independent
Secretary Mr Jaime Pérez Renovales	

The board of directors has appointed the members of the committee bearing in mind their knowledge, aptitude and experience in relation to the committee's mission.

For further information about the skills, knowledge and experience of each of the committee members, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

During 2019, Mr Carlos Fernández stepped down as a member of the committee, and Mr Henrique de Castro was appointed new member of the committee on 29 October 2019.

Duties and activities in 2019

This section contains a summary of the remuneration committee's activities in 2019, classified in accordance with the committee's duties.

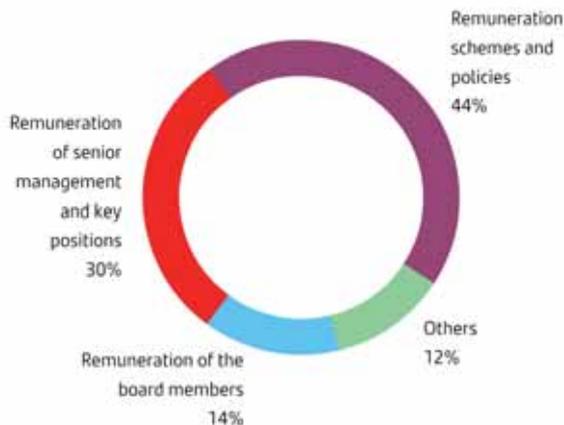
Duties	Action taken
Remuneration of directors	
<ul style="list-style-type: none"> Individual remuneration of directors in their capacity as such 	<ul style="list-style-type: none"> Analysed the individual remuneration of directors in their capacity as such based on the positions held by the directors on the collective decision-making body, membership on, and attendance at, the various committees, and any other objective circumstances evaluated by the board. Submitted a proposal to the board to keep unchanged all the remuneration components.
<ul style="list-style-type: none"> Individual fixed remuneration for executive directors 	<ul style="list-style-type: none"> Proposed to the board to maintain the gross annual salary for executive directors in 2020 as in the prior year.
<ul style="list-style-type: none"> Individual variable remuneration for executive directors 	<ul style="list-style-type: none"> Submitted a proposal to the board, for subsequent submission to the 2019 AGM, for the approval of a maximum level of variable remuneration up to 200% of the fixed component for executive directors and persons belonging to categories of staff whose professional activities (excluding control functions) have a material impact on the risk profile of the Group (the 'Identified Staff' or 'Material Risk Takers'). Determined the annual variable remuneration for 2018 payable immediately and the deferred amounts, part of which are established as a maximum and are conditioned to compliance with long term objectives established for executive directors. These are approved by the board, taking into account the directors' remuneration policy, based on the individual level of achievement of the annual performance targets and the weightings previously established by the board. As part of the directors' remuneration policy, the committee submitted a proposal for the annual performance indicators and targets to be used for the calculation of the annual variable remuneration for 2020, to be approved by the board. In addition, it established the achievement scales for annual and multi-year performance targets and their associated weightings, for submission to the board.
<ul style="list-style-type: none"> Director's remuneration and executives compensation agreements 	<ul style="list-style-type: none"> Regarding the appointment of Mr Andrea Orcel as Group chief executive officer, in a joint meeting of the appointment and remuneration committees held in January 2019, it was proposed to the board not to continue with the appointment due to the reasons provided in the relevant material fact and other communications published.
<ul style="list-style-type: none"> Share plans 	<ul style="list-style-type: none"> Submitted a proposal to the board, for subsequent submission to the 2019 AGM regarding the approval of the application of remuneration plans involving the delivery of shares or share options (deferred multiyear targets variable remuneration plan, deferred and conditional variable remuneration plan, application of the Group's buy-out policy and plan for employees of Santander UK Group Holdings plc. and other companies of the Group in the UK. A proposal for first year was the Digital Transformation Award designed to provide the Group with a tool to attract and retain resources that drive long term share value creation through the achievement of key digital milestones).
<ul style="list-style-type: none"> Propose the directors' remuneration policy to the board 	<ul style="list-style-type: none"> Submission of a proposal to the board, for subsequent submission to a binding vote at the 2019 AGM, regarding the approval of the directors' remuneration policy for 2019, 2020 and 2021, and the committee issued the required explanatory report regarding the directors' remuneration policy.
<ul style="list-style-type: none"> Propose the annual directors' remuneration Report to the board 	<ul style="list-style-type: none"> Submission of a proposal to the board, for subsequent submission to a consultative vote at the 2019 AGM, regarding the annual directors' remuneration report. The committee assisted the board of directors in supervising compliance with the director remuneration policy. The committee was informed by the lead independent director about contact with key shareholders and proxy advisors on remuneration issues for executive directors. Scheduled one joint session with the risk supervision, regulation and compliance committee in order to verify that the remuneration schemes factor in risk, capital and liquidity and that no incentives are offered to assume risk that exceeds the level tolerated by the Bank, therefore promoting and being compatible with adequate and effective risk management.
<ul style="list-style-type: none"> Remuneration policy for senior executive vice presidents and other members of senior management 	<ul style="list-style-type: none"> Established the remuneration for members of senior management in terms of their fixed and variable annual remuneration, submitting to the board the corresponding proposals for approval. Established the global annual variable remuneration for 2018 payable immediately and the deferred remuneration of the main executive segments, in accordance with the level of achievement of the quantitative and qualitative targets previously defined, as well as the individual remuneration of members of senior management, based on the individual level of achievement of the annual performance targets and their weightings as previously established by the board. Established the annual performance indicators to be used for the calculation of variable remuneration for 2020 to be approved by the board, and with the cooperation of the human resources committee, and establishment, for submission to the board, the achievement scales for the annual and multi-year performance targets and weightings.

Duties	Action taken
Remuneration of other executives whose activities may have a significant impact on the Group's assumption of risks	
<ul style="list-style-type: none"> • Remuneration for other executives who, although not members of senior management, are identified staff 	<ul style="list-style-type: none"> • Reviewed and discussed the analysis on fixed and variable remuneration ratios for control functions to ensure alignment with regulation. • Established the key elements of the remuneration of identified staff. • Reviewed and updated the composition of the identified staff in order to identify the persons within the Group who fall within the parameters established for being included in such group. • Submitted a proposal to the board, for subsequent submission to the 2019 AGM, regarding the approval of a maximum level of variable remuneration up to 200% of the fixed component for certain Group employees belonging to categories of staff whose professional activities have a material impact on the risk profile of the Bank or the Group.
<ul style="list-style-type: none"> • Assist the board of directors in supervising compliance with remuneration policies 	<ul style="list-style-type: none"> • Reviewed the directors' remuneration programmes ensuring that are appropriate taking into account the Bank's results, culture and risk appetite; and that no incentives are offered to assume risk that exceeds the level tolerated by the Bank, therefore promoting adequacy and being compatible with effective risk management. • Informed the board of the content of the report issued by an external consultant assessing the remuneration policy, in application of the provisions of Law 10/2014, which establishes that the remuneration policy of credit institutions will be subject, at least once a year, to a central and independent internal evaluation, in order to verify whether the remuneration guidelines and procedures adopted by the board of directors in its supervisory function have been complied with. • Assisted the board in its supervision of compliance with the remuneration policy for directors and other members of the identified staff, as well as with any other Group's remuneration policies. • Verified the independence of the external consultants contracted to assist the committee in the performance of its duties.
Gender pay	
	<ul style="list-style-type: none"> • Reviewed the information of gender and equal pay within the Group, comparing it to both prior year data and the targets set, and focusing on the concepts of gender pay gap (average pay comparison between men and women) and equal pay gap (comparison of pay for the same job, level, and/or area – "equal pay for equal work"), and identified areas of improvement.
Internal governance	
<ul style="list-style-type: none"> • Governance 	<ul style="list-style-type: none"> • Reviewed the action plan aimed to improve its effectiveness, drafted in view of the results of the board's effectiveness assessment during 2018. • Informed the board of the changes proposed to the Rules and regulations of the board of directors derived from international best practices and the Technical Guide 1/2019 of the CNMV, on Nomination and Remuneration committees. • Reviewed the definition, impact and expected timeline of the European Union agreement to review executive remuneration rules (compensation chapter of Capital Requirement Directive "CRD V", updating "CRD IV")
Information for the general shareholders' meeting and corporate documentation	
<ul style="list-style-type: none"> • Shareholders information 	<ul style="list-style-type: none"> • At our 2019 AGM, Mr Bruce Carnegie-Brown acting as the committee's chairman, reported to the shareholders on the matters and activities within the purview of the committee during 2018.
<ul style="list-style-type: none"> • Corporate documentation for 2019 	<ul style="list-style-type: none"> • Drafted the report of the committee for the year 2019, which includes a section dedicated to the activities carried out during the year, an analysis and assessment of the fulfilment of the functions entrusted to it, and the priorities for 2020 identified following the assessment carried out by the board and its committees.

Time devoted to each task

In 2019, the remuneration committee held 11 meetings. 'Board and committees attendance' in section 4.3 provides information on the attendance of committee members at those meetings and on the estimated average time devoted by them to preparing and participating in such meetings.

The chart below shows the distribution of the approximate time dedicated to each task by the committee in 2019.



Annual assessment of the functioning of the committee and fulfilment of the goals set for 2019

The committee's effectiveness during 2019 was considered as part of the overall internal assessment of board effectiveness carried out internally this year. The committee considered the findings and suggested actions resulting from the review and related to the remuneration committee.

The self-assessment process rated the overall effectiveness of the committee and the chairman's leadership. Sufficient and accurate documentation provided on the topics discussed strengthened the quality of the debates among members and sound decision-making. In particular, the committee noted the increasing complexity associated with remuneration practices and reiterated the need for the committee to continue to find appropriate time on such matters.

In 2019, the committee successfully addressed all the challenges put forward for the year and identified in the 2018 activities report. Different activities have been conducted in order to facilitate intragroup coordination, such as gender pay gap and effective compensation.

In order to comply with the Group Subsidiary Governance Model, a review of Group-wide remuneration practices was carried out by the committee to assess alignment with local practices and peers, as well as with the standards used by the Group regarding the remuneration received by the non-executive directors of Group subsidiaries.

The committee reviewed all proposed off-cycle compensation adjustments for senior management members.

The committee has continued to monitor the gender pay reporting analysis and identify areas of improvement.

The committee reviewed certain compensation schemes to support the attraction and retention of key talent to help drive digitalization, and the level of achievement of the long term incentive metrics for the 2016 - 2018 period.

The committee also reviewed group-level compensation policies and practices and assessed their effectiveness in line with article 19 of the Rules and regulations of the board.

Report regarding the director remuneration policy

As provided for under section 2 of article 529 *novodecies* of the Spanish Companies Act, the remuneration committee issues this report regarding the director remuneration policy for 2020, 2021 and 2022 that the board of directors intends to submit to binding approval of the shareholders at the forthcoming AGM as a separate item of the agenda and which is an integral part of this report. See section 6.4 '[Director remuneration policy for 2020, 2021 and 2022 that is submitted to a binding vote of the shareholders](#)'.

Considering the analysis made in the context of producing the 2019 annual report on director remuneration and its continuous supervision task on remuneration policies, the remuneration committee is of the opinion that the director remuneration policy for 2020, 2021 and 2022, which is expected to be submitted to the shareholders vote and is included in section 6.4 below, conforms to the principles of the Bank's remuneration policy and to the by-law mandated remuneration system.

Starting in 2020, progress made on our commitments in responsible banking will be a qualitative adjustment criterion in the assessment of remuneration senior management.

2020 Priorities

The committee has identified the following priorities for 2020:

- The coordination with the remuneration committees of the Group subsidiaries is an area of ongoing focus. Monitoring the implementation and application of the corporate policies regarding remuneration to ensure a consistent approach in this respect.
- Progressive reduction of the gender pay gap within the Group.
- Continuous focus on shaping compensation schemes consistent with the Bank's culture, meritocracy and other corporate values.
- Review the Bank's remuneration policies to ensure that they are aligned with international best practice, including ESG and non-financial Key Performance Indicators (KPI's) part of remuneration structures, and that they enable talent attraction and retention.

4.8 Risk supervision, regulation and compliance committee activities in 2019

This section constitutes the risk supervision, regulation and compliance committee activities report prepared by the committee on 17 February 2020 and approved by the board of directors on 27 February 2020.

Composition

Composition	Category
Chairman Mr Álvaro Cardoso de Souza	Independent
Mr Ignacio Benjumea Cabeza de Vaca	Other external
Members Ms Esther Giménez Salinas i Colomer	Independent
Mr Ramiro Mato García-Ansorena	Independent
Ms Belén Romana García	Independent
Secretary Mr Jaime Pérez Renovales	

The board of directors has appointed the members of the committee bearing in mind their knowledge, aptitude and experience in relation to the committee's mission.

For further information about the skills, knowledge and experience of each of the committee members, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

Duties and activities in 2019

This section contains a summary of the risk supervision, regulation and compliance committee's activities in 2019, classified in accordance with the committee's duties.

Duties	Actions taken
Risk	
<ul style="list-style-type: none"> Assist the board in (i) defining the Group's risk policies, (ii) determining the risk appetite strategy and culture and (iii) supervising their alignment with the Group's corporate values 	<ul style="list-style-type: none"> The committee carried out an overview of the Group's risks, and specific analyses by unit and risk type, and assessed proposals, issues and projects relating to risk management and control. Submitted to the board the approval of the risk appetite statement, including proposals for new metrics. Reviewed compliance with the limits on a quarterly basis. Received information about matters relating to the proper management and control of risks within the Group, most notably the Risk Identification and Assessment (RIA) and the Risk Control Self-Assessment (RCSA), two of the main tools for controlling these risks. Monitored risks derived from technological obsolescence and related to cybersecurity, including data leakage, incident and vulnerability detection, patch management, network security and access control, amongst others. The committee was informed on the status of the main IT developments and projects. Oversight was coordinated with the innovation and technology committee, with which one joint session was held. Supervised the risks associated with the main corporate transactions analysed by the Bank and the different mitigating measures proposed to address them. In particular, it monitored the risks associated with the strategic investment in Ebury, one of the biggest UK-based trade and foreign exchange facilitator for small and medium-sized companies. The Group chief financial officer (CFO) submitted the 2019 recovery plan to the committee, assessing the Group's resilience in scenarios of severe stress. The plan was submitted to the board of directors for approval. In addition, the status of the 2019 resolution plan and proposal for 2020 was also presented to the committee. Supervised the alignment of the risk strategy with the 3-year strategic financial plan, P-22 (from 2020 to 2022), which covers, in qualitative terms and for the entire Group, the priorities and projects for the next three years and, in quantitative terms, a financial plan for that period.
Risk Management and Control	<ul style="list-style-type: none"> Received frequent updates on the identified top risks being managed and the adequacy of mitigating controls. Analysed the risks and opportunities associated with emerging risks and how they affect the different geographies and areas of risk, and the sectors related to climate change in particular. A report was provided to the committee on the extractive industries sector including oil and gas, mining and the steel industries, and also on the existing policies and exposure. The committee has maintained ongoing focus on the Banco Popular integration process (completed on time without any significant problems) and, in particular, on the minimisation of risks such as technological, reputational, operational, and execution. Special analysis has been developed on the Non-Performing Loans & Non-Performing Assets during 2019 and a specific report on Leveraged Finance was presented to the committee for its review and discussion. Supported and assisted the board in conducting stress tests of the Bank. In particular, it assessed the scenarios and assumptions to be used in such tests, analysing the results and the measures proposed by the Risk function as a result. Received and discussed periodic market and structural risk updates of the Bank and counterparty risk review. Non-financial risks including legal risk, remained a key area of focus. Reviewed a deep dive on vendor risk to allow members to gain a deeper understanding of issues. Carried out a deep-dive in the extractive industry sector, that covers oil and gas, coal and steel subsectors.

Duties	Actions taken
<ul style="list-style-type: none"> • Supervise the Risk function 	<ul style="list-style-type: none"> • Ensured the independence and efficacy of the risk function and that sufficient human resources were duly provided. • At the year end, assessed the risk function and the performance of the chief risk officer (CRO) and shared its assessment with the remuneration committee and the board, in order to establish the variable remuneration payable to him.
<ul style="list-style-type: none"> • Collaboration to establish rational remuneration policies and practices 	<ul style="list-style-type: none"> • Scheduled one joint session with the remuneration committee in order to verify that the remuneration schemes factor in risk, capital and liquidity and that no incentives are offered to assume risk that exceeds the level tolerated by the Bank, therefore promoting and being compatible with adequate and effective risk management. • Analysed in conjunction with the remuneration committee, the factors used to determine the ex-ante risk adjustment of total variable remuneration assigned to the units, based on how previously assessed risks actually materialised. • Reviewed the 2019 bonus pool and results of the exercise carried out annually to identify employees whose professional activities had a material impact on the Group's risk profile.
Capital and liquidity	
<ul style="list-style-type: none"> • Assist the board in approving the capital and liquidity strategies and supervise their implementation 	<ul style="list-style-type: none"> • Reviewed the annual capital self-assessment report (ICAAP) prepared by the Finance department and challenged by the Risk function in accordance with industry best practices and supervisory guidelines and submitted this report to the board for approval. Moreover, a capital plan was drawn up in accordance with the scenarios envisaged over a three-year time frame. • Endorsed the Pillar III disclosures report, which was submitted to and finally approved by the board. The report describes various aspects of the Group's management of capital and risk and provides an overview of the function; base capital and prescribed capital requirements; policies for managing the various risks undertaken by the Bank from the standpoint of capital consumption; composition of the Group's portfolio and its credit quality, measured in terms of capital and the roll-out of advanced internal models. • Assessed the liquidity plan (ILAAP), developed in the context of the Group's business model and submitted for approval by the board. • Performed continuous monitoring of the capital levels and capital management. In addition to that, monitored the project "Capital Tools" to comprehensively improve its management, ensuring that the capital allocation is appropriate for all the risks assumed.
Compliance and conduct	
<ul style="list-style-type: none"> • Supervise the Compliance and conduct function 	<ul style="list-style-type: none"> • Oversaw the completion of the annual compliance program (ACP), that now is now more mature and one of the key processes of the Compliance and conduct function. The compliance program is supervised by the board and the management team of the respective subsidiary, as well as validated by the Group Compliance and conduct function. • Assessed the Compliance and conduct function (including the analysis of the function's staffing to ensure that has the physical and human resources needed for the performance of its work) and the performance of the chief compliance officer (CCO) and shared it with to the remuneration committee and the board in order to establish her variable remuneration. • Endorsed the appointment of the new CCO prior to its final approval by the board of directors. • Reviewed that the corporate centre has the necessary components to ensure ongoing control and oversight of the compliance and conduct model, establishing robust systems of governance and systematic reporting and interaction with the local units in accordance with the Group's subsidiary governance model. • Monthly reports on the compliance function were provided to the committee as part of the risk and compliance monthly report. Particularly informed on regulatory issues, product governance and consumer protection, reputational risk, internal and external events, notifications and inspections by supervisors, treasury shares etc.
<ul style="list-style-type: none"> • Regulatory Compliance 	<ul style="list-style-type: none"> • Monitored the compliance with regulatory requirements regarding: <ul style="list-style-type: none"> • The General Data Protection Regulation (GDPR) and the consolidation of the control framework. • The finalization and improvement of the MiFID control framework for each local unit in collaboration with other units. • The Dodd Frank Title VII Update. • Volcker's compliance programme has been adapted to the recent amendments introduced to the Rule and the oversight of this regulation has continued in 2019.
<ul style="list-style-type: none"> • Financial Crime Compliance (FCC) 	<ul style="list-style-type: none"> • Oversaw the group's compliance with Financial Crime related regulation, and among other things : <ul style="list-style-type: none"> • Provided annual update on key actions and relevant risk across the group. • Communicated and addressed recommendations and observations stemming from the annual Independent Expert Report regarding Banco Santander S.A. in accordance with Spanish the Spanish Law 10/2010 and Royal Decree 304/2014 (anti-money laundering and counterterrorism financing) • A new global head of FCC was appointed in January 2019. Further, the FCC team has been restructured to have a more specialised knowledge covering the FCC Topics. • During 2019, the Group has placed a special focus on optimisation of systems, issuance of policy implementation guides and a new Anti Money Laundering (AML) training module.
<ul style="list-style-type: none"> • Product governance and consumer protection 	<ul style="list-style-type: none"> • Received an update on the status of customers' complaints in the first half of 2019, managing 28 countries, 36 business units and 9 SCIB branches and action plans in place to address identified deficiencies and mitigate detriment to customers. • In a joint session with the remuneration committee, the committee received information about the progress of the local action plans regarding internal sales force remuneration in the Group and an overview of the assessment of the external sales force regarding their potential conduct risk impact. • Received information on the risk management and main conclusions reached from the activities carried out by the product governance and consumer protection unit.

Duties	Actions taken
<ul style="list-style-type: none"> Supervise the whistleblower channel (<i>Canal Abierto</i>) 	<ul style="list-style-type: none"> Promote and oversee the use of the Canal Abierto model (a specific way to run whistleblowing channels in the Group). Through Canal Abierto, employees can report, on a confidential and, if wished, anonymous basis, violations to the General Code of Conduct and behaviours not aligned with or contrary to the values of Simple, Personal and Fair. The Canal Abierto aims to contribute to the Group's cultural transformation by increasing the awareness on the importance of Speaking Up so that it is creating a working environment where employees can talk straight and be truly listened to. Review and report the measures taken in the different countries as a result of the use of whistleblowing channels.
Governance	
<ul style="list-style-type: none"> Corporate governance and internal governance 	<ul style="list-style-type: none"> Supported the appointments committee in its function of advising the board in relation to the corporate governance and internal governance policy of the Bank and its Group. Reviewed the modification of the Terms of reference of the risk control committee and executive risk committee in order to enhance committee best practices and simplify decision making processes. In relation to data management and governance, the committee reviewed the two key priorities, namely to extend the data governance model beyond the risk data aggregation and risk reporting structure and to simplify that governance. Received quarterly updates on the matters discussed at the responsible banking, sustainability and culture committee by the chairman of this committee. In a joint session with the audit committee, reviewed the status of the internal audit plan and of the main recommendations of the Bank, and an update on the Internal audit works performed on the risk corporate division.
Supervisors	
<ul style="list-style-type: none"> Relations with supervisors 	<ul style="list-style-type: none"> Continuous monitoring of regulatory interactions helped ensure that the committee remained well engaged on the main areas of regulatory interest. Focus on ongoing interactions with the regulators, including the Supervisory Review and Evaluation Process (SREP). The committee was informed about the updates in relation to the new Interbank Offered Rates (IBORs) based on alternative risk-free rates, which are being developed by the supervisors of the main jurisdictions.
Corporate documentation	
<ul style="list-style-type: none"> Corporate documentation for 2019 	<ul style="list-style-type: none"> Drafted the activities report of the committee for 2019, which includes a section dedicated to the activities carried out during the year, an analysis and assessment of the fulfilment of the functions entrusted to it, and the priorities for 2020 identified following the assessment carried out by the board and its committees.

Time devoted to each task

In 2019, the risk, supervision regulation and compliance committee held 14 meetings. 'Board and committees attendance' in section 4.3 provides information on the attendance of committee members at those meetings and on the estimated average time devoted by them to preparing and participating in such meetings.

The chart below show the distribution of the approximate time dedicated to each task by the committee in 2019^A.



A. All regulatory and supervisory relations topics discussed in 2019, are embedded in each task described in the chart.

Annual assessment of the functioning of the committee and fulfilment of the goals set for 2019

The committee's effectiveness was considered as part of the overall internal assessment of board effectiveness carried out internally in 2019. The committee followed up on all organisational actions and improvements that were launched as a result of the assessment carried out in 2018 and in particular:

- Ongoing focus on **material risks** and the potential impact of their outcomes and continuous analysis of the macroeconomic environment and early warning indicators.
- Ensuring the proper **coordination with other board committees**. The committee has examined, in conjunction with the remuneration committee, whether the incentives policy envisaged in the remuneration scheme takes into account risk. Also, in a joint session with the audit committee, the committee reviewed the status of the Internal Audit Plan and an update on the Internal Audit works on the Risk Corporate Division.
- Oversight of **transformational projects** (regulatory and non regulatory), including the supervisory review and evaluation process (SREP) and the updates in relation to the new interbank offered rates (IBORs) based on alternative risk-free rate.

The self-assessment process positively rated the very high degree of dedication among its members, as well as the chairman's leadership. The frequency and duration of its meetings were also found to be appropriate for its proper

functioning although the committee noted the growing list of issues to be addressed and the consequent need to ensure adequate time allocation to the most relevant topics. Sufficient and accurate documentation provided on the topics discussed strengthened the quality of the debates among members and sound decision-making.

2020 Priorities

The committee has identified the following priorities for 2020:

- Continued focus on Group top risks, early warning indicators, impacts and mitigation actions in order to assure that risks are appropriately managed with risk profiles remaining within the board risk appetite limits.
- To be very alert on emerging/non traditional risks to enable us to anticipate key strategic changes in the business environment.
- Continued close coordination with other board committees, including, among others, the responsible banking, sustainability and culture committee, the remuneration committee, the innovation and technology committee and particularly the audit committee, in order to ensure they all know and leverage areas of mutual interest.
- Continue working on the effectiveness of the committee making sure that its role is discharged in the most tangible and effective manner.

Duties and activities in 2019

This section contains a summary of the responsible banking, sustainability and culture committee's activities in 2019, classified in accordance with the committee's duties.

Duties	Actions taken
Responsible banking strategy	
<ul style="list-style-type: none"> • Initiatives and challenges of responsible banking 	<ul style="list-style-type: none"> • The committee was informed of the different initiatives for facing the challenges of the new banking environment and an inclusive and sustainable growth. • Considered the key priority actions with respect to employees, customers, shareholders and the communities. • Reviewed new metrics and targets, the progress on priorities, the agenda ahead and proposed commitments related to responsible banking and the level of public dissemination of that information. • Assisted the Board in ensuring responsible banking targets, metrics and commitments were embedded across the group and measured effectively. • The committee was informed about the progress made in the year on the implementation plans for the priorities approved for 2019 in responsible banking. It was also informed about the priorities defined in coordination with the countries for the period 2020 to 2022. • In general, the committee coordinated with other board committees in relation to issues concerning corporate culture and values, responsible banking practices and sustainability. This ensured that adequate and effective control processes are in place and that risks and opportunities relating to sustainability and responsibility are identified and managed, according to the guiding principles of the responsible banking governance approved by the board.

4.9 Responsible banking, sustainability and culture committee activities in 2019

This section constitutes the responsible banking, sustainability and culture committee activities report prepared by the committee on 3 February 2020 and approved by the board of directors on 27 February 2020.

Composition

Composition	Category
Chairman Mr Ramiro Mato García-Ansorena	Independent
Ms Ana Botín Sanz de Sautuola y O'Shea	Executive
Ms Homaira Akbari	Independent
Mr Ignacio Benjumea Cabeza de Vaca	Other external
Members Mr Álvaro Cardoso de Souza	Independent
Ms Sol Daurella Comadrán	Independent
Ms Esther Giménez Salinas i Colomer	Independent
Ms Belén Romana García	Independent
Secretary Mr Jaime Pérez Renovales	

The board of directors has appointed the members of the committee bearing in mind their knowledge, aptitude and experience in relation to the committee's mission.

For further information about the skills, knowledge and experience of each of the committee members, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

Duties	Actions taken
<ul style="list-style-type: none"> • Governance 	<ul style="list-style-type: none"> • The committee was informed about the creation of the new Environmental and social risk management function within the Risk area to ensure adequate and effective control processes are in place and risks and opportunities related to sustainability and responsible banking are adequately identified and managed. • The reputational risk function informed the committee about its oversight of potential reputational impacts arising from environmental and social matters. • The committee received regular updates by the different units and different initiatives to drive the responsible banking agenda, reinforcing continuous communication and sharing of best practices and concerns. • The chair of the risk, supervision, regulation and compliance committee reported quarterly to the committee, within its scope of action, ensuring a global overview of key risks and opportunities in relation to responsible banking matters.
<ul style="list-style-type: none"> • Commitment on Sustainability goals 	<ul style="list-style-type: none"> • Approved public commitments on sustainability goals to adapt to the new business environment and to support an inclusive and sustainable growth, including climate change objectives for 2021 - 2025.
<ul style="list-style-type: none"> • Policies and internal regulations 	<ul style="list-style-type: none"> • Reviewed the environmental and social policies: energy, mining and metal, financing for sensitive sectors, soft commodities and defense, updating the criteria for financing activities related to coal, for their approval by the board. • Analysed the scope and sufficiency of the sensitive sector policies to determine whether a certain matter or a new policy should be introduced. • The committee addressed the review of human rights policy, sustainability policy and Corporate Culture Policy. • The committee determined the new criteria to be applied at Santander Group to clients operating in the cannabis sector.

Corporate culture and values

<ul style="list-style-type: none"> • Corporate culture 	<ul style="list-style-type: none"> • Reviewed, in coordination with the remuneration committee, the alignment of the remuneration programs with the corporate culture and values. • Reviewed, in coordination with the risk supervision, regulation and compliance committee, the alignment of the risk appetite with the corporate culture and values and assessed non-financial risks. • In general, assisted the board in embedding the corporate culture and values across the Group, monitoring its level of adherence. • Informed the board about the global simplification project as well as the appointment of a responsible executive in each geography and defined the relevant KPIs.
<ul style="list-style-type: none"> • SPF with employees 	<ul style="list-style-type: none"> • Analysed the employees' opinions shown at the annual Global Engagement Survey launched in September 2019, as well as the 2020 plans and programs related to the workforce and culture. • The committee was informed of the key priorities and initiatives included in the Group's diversity and inclusion strategy, with a particular focus on the proposal for global minimum standards for maternity and paternity and other benefits under consideration in order to implement the global family policy.
<ul style="list-style-type: none"> • SPF with customers 	<ul style="list-style-type: none"> • The committee was informed about the Group's ten consumer protection principles for fostering the Simple Personal and Fair culture among customers and the methodology used to measure it, as well as the criteria established for the treatment of vulnerable customers.

Sustainability

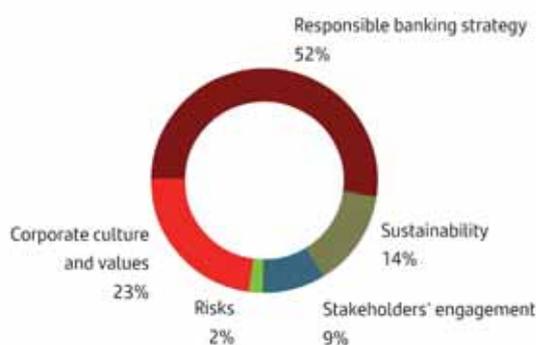
<ul style="list-style-type: none"> • Environmental and climate change 	<ul style="list-style-type: none"> • The committee was informed of a coordinated climate change strategy for the Santander Group aligned to the external commitments, provided feedback and verified the plan and actions to carry out. • The committee addressed climate related risks and opportunities and analysed new regulation with regard to climate change, including the EBA consultation on integration of ESG principles including climate change, into lending policies, or the ECB plans to include climate change into stress testing exercises in the next 2 years, and the impacts that will arise from that. • The committee was informed about the task force on Climate-related Financial Disclosures requirements set by the Financial Stability Board, previously presented at the internal Inclusive & Sustainability Banking Steering Group, within the overall climate strategy for the Group which contributes to Sustainable Development Goals and The Paris Climate Agreement. • Reviewed and discussed the current and emerging risks in the Extractive Industries (Oil & Gas and Mining & Steel). The Committee was updated on latest trends, our exposure, policies and any actions we have taken.
<ul style="list-style-type: none"> • Financial Inclusion 	<ul style="list-style-type: none"> • The committee considered the empowerment and financial inclusion initiatives developed by the Group, the goals and the action plan to achieve them, as well as the metrics designed to measure their progress. The objective is keep enhancing the proposal in Latam to make profit with a purpose, financially empowering vulnerable people in mature markets, and achieve a higher external profile leveraging on the Group strength.
<ul style="list-style-type: none"> • Support for higher education 	<ul style="list-style-type: none"> • The committee was informed about the current and future contribution of Santander Universidades to the Group's Responsible Banking strategy. This represents one of the strategic areas of the Responsible Banking strategy along with sustainability/green financial inclusion.
<ul style="list-style-type: none"> • Santander environmental footprint 	<ul style="list-style-type: none"> • Reviewed and discussed the direct environmental impact of the activity of Santander Group and the new energy efficiency and sustainability plan of the Group to reduce Santander footprint implemented to date, and the proposed new initiatives to be followed. • Presented the alternatives for the Group to become a carbon neutral organization by offsetting the atmospheric emissions caused by its own activity and reported favourably the objective to be carbon neutral in 2020.

Duties	Actions taken
<ul style="list-style-type: none"> Sustainable finance 	<ul style="list-style-type: none"> The committee was informed about the new Santander's global sustainable framework to issue green, social and sustainable bonds, the rationale for Santander to issue sustainable bonds and the key features of the framework. The committee was informed about Wealth Management and Insurance division's plans in ESG and Responsible Banking.
Stakeholders engagement	
<ul style="list-style-type: none"> Indexes and ratings 	<ul style="list-style-type: none"> Analysed the global and local awards, rankings and sustainability indexes. Supervised and monitored the corporate reputation and engagement with stakeholders, facilitating the measurement of initiatives implemented. Reviewed the key metrics being proposed to measure the progress in the Responsible Banking field, including medium term targets, a wider set of metrics for each of the stakeholders and targets related to the Dow Jones Sustainability Index and the Sustainalytics rating.
<ul style="list-style-type: none"> Shareholders & Investors 	<ul style="list-style-type: none"> The committee coordinated with the appointments committee, in its supervision and evaluation of the strategy for communication and relations with shareholders and investors, including small and mid-sized shareholders; and the process of communication and relations with other stakeholders.
<ul style="list-style-type: none"> Partnership with International Initiatives 	<ul style="list-style-type: none"> The committee was informed that Santander together with other 27 banks and UN Environment Finance Initiative (UNEP FI) launched the Principles for Responsible Banking for global public consultation at the UNEP FI Global Roundtable in Paris. The responsible banking agenda will incorporate all the requirements from the UNEP FI Responsible Banking Principles, including setting metrics, adequate targets and transparency in demonstrating progress. The committee was informed about the Collective Commitment on Climate signed by some of founding banks of the UNEP FI Principles for Responsible Banking, including Santander. The committee was informed on the Cop 25 event that took place in Madrid and Santander's participation and involvement in its promotion.
Corporate documentation	
<ul style="list-style-type: none"> Corporate documentation for 2019 	<ul style="list-style-type: none"> Reviewed the Group's statement of non-financial information, including the independent expert's report, composed by the "Business model and strategy" and "Responsible banking" chapters included in the 2019 annual report. The referred Responsible banking chapter replaced the traditional sustainability report that the Group published in previous years. Drafted the activities report of the committee for 2019, which includes a section dedicated to the activities carried out during the year, an analysis and assessment of the fulfilment of the functions entrusted to it, and the priorities for 2020 identified following the assessment carried out by the board and its committees.

Time devoted to each task

In 2019, the responsible banking, sustainability and culture committee held 4 meetings. 'Board and committees attendance' in section 4.3 provides information on the attendance of committee members at those meetings and on the estimated average time devoted by them to preparing and participating in such meetings.

The chart below show the distribution of the approximate time dedicated to each task by the committee in 2019.



Annual assessment of the functioning of the committee and fulfilment of the goals set for 2019

The committee's effectiveness during 2019 was considered as part of the overall internal assessment of board effectiveness carried out internally this year.

The committee successfully addressed its challenges and priorities put forward for 2019 and different activities have been conducted in order to facilitate greater intragroup coordination and establish guiding principles for subsidiaries to ensure that the responsible banking agenda and Group's corporate culture is embedded across the Group. Initiatives regarding financial and social inclusion, and responsible and sustainable products offered have been carried out by the committee in 2019.

The self-assessment process positively rated the committee and its overall effectiveness acknowledging the relatively short period that it has been established. The frequency and duration of its meetings were also found to be broadly appropriate for its proper functioning and for the performance of their duties of supporting, informing, proposing and advising the board. However, the committee acknowledged the need to consider greater frequency and establish greater coordination with the countries given the emergence of new matters. Sufficient and accurate documentation provided on the topics discussed facilitated quality of debate among members and sound decision-making.

2020 Priorities

The committee has identified the following priorities for 2020:

- Ongoing focus on embedding the responsible banking agenda across the Group, and promoting initiatives in the different units to meet these targets.

- Key focus on communication and marketing of the achievements of the Group to further develop the reputation to continue to be recognized as one of the most sustainable banks in the world.
- Drive to continue to assist the board in the management of risks and opportunities related to climate change and in becoming a carbon neutral organization in 2020, embedding climate change into the group strategy and corporate governance.
- Continue to monitor the initiatives, targets, and metrics proposed to achieve the commitments for an inclusive and sustainable banking.

4.10 Innovation and technology committee activities in 2019

This section constitutes the innovation and technology committee activities report prepared by the committee on 10 February 2020 and approved by the board of directors on 27 February 2020.

Duties and activities in 2019

This section contains a summary of the innovation and technology committee's activities in 2019, classified in accordance with the committee's duties.

Duties	Actions taken
Innovation framework	<ul style="list-style-type: none"> • Reviewed the implementation of the Group strategic technology plan and the Group's innovation agenda, identifying the main challenges and building the Group's capabilities in innovation. • Identified opportunities to accelerate innovation across the Group and increase the likelihood of success in the identification of new business models, technologies, systems and platforms. This involved the definition of priorities such as, among others, a better collaboration across local banks and with Santander Digital Division. • Identified Group level initiatives to develop and launch, namely, coaching programs, increased access to start-ups, labs, creation of a testing environment (sandbox) and establishment of local digital & innovation committees, mirroring the corporate committee. • Outlined the key stages in the innovation framework for the Group, leveraging an approach commonly used by venture capital firms.
Cybersecurity	<ul style="list-style-type: none"> • Supervised defences to face the increasing threat environment, reviewed security controls and automated security. • Analyzed the high-profile incidents involving data loss affecting other very well-known companies. • Monitored the Group cybersecurity threat level and followed-up the global cyber transformation plan for 2019. • Shared information with the risk supervision, regulation and compliance committee regarding cybersecurity risks (with special focus on public cloud infrastructure and platforms), Group IT strategy (Group's future retail banking platform) and financial crime compliance systems situation and strategy. Furthermore, assisted it in its supervision of technological risks and cybersecurity. • Reviewed the implementation of cybersecurity plan within the Group and the main risks and mitigating controls. • Analysed the systems currently supporting financial crime compliance core processes to comply with new regulation and to align to Santander's business strategy while taking into account best practices and standards and new regulatory expectations. • Received updated information about employee awareness of cybersecurity matters and identified key areas to consider in future plans.

Composition

Composition	Category
Chairman Ms Ana Botín Sanz de Sautulosa y O'Shea	Executive
Ms Homaira Akbari	Independent
Mr José Antonio Álvarez Álvarez	Executive
Mr Ignacio Benjumea Cabeza de Vaca	Other external
Members Mr Bruce Carnegie-Brown	Independent
Mr Henrique de Castro	Independent
Mr Guillermo de la Dehesa Romero	Other external
Ms Belén Romana García	Independent
Secretary Mr Jaime Pérez Renovales	

The board of directors has appointed the members of the committee bearing in mind their knowledge, aptitude and experience in relation to the committee's mission.

For further information about the skills, knowledge and experience of each of the committee members, see section 4.1 'Our directors' and 'Board skills and diversity matrix' and 'Committees skills and diversity matrix' in section 4.2.

Duties	Actions taken
Digital	<ul style="list-style-type: none"> Received an update on Santander digital assets strategy, forward looking commitments for 2020 and execution plans. Verified collaboration efforts between countries and business units in relation to digital initiatives, with a focus on execution. Monitored metrics in connection with the Santander Digital evolution and associated transformation. Metrics included return on investments, unit-cost evolution per product/service/data storage, time-to-market and customer attraction. Reviewed the main digital strategies to transform the existing business, and accelerate the growth of new businesses.
Technology and operations	<ul style="list-style-type: none"> Reviewed the global technology strategy plan and reported to the board on plans and activities relating to technology and innovation. The committee endorsed the main technology related strategic priorities for the Group, with a special focus on cloud roadmap execution as part of the cloud strategy approved in 2018, IT retail architecture strategy as part of the Group's technology strategy and the description of the process of moving from strategy to execution through a new operating model and a common architecture. Ensured that the technology and operations strategy was properly focused on the relevant issues and priorities of the Group. The committee was informed about the discussions held by the international advisory board relating to technological and innovation matters.
Data management	<ul style="list-style-type: none"> Received updated information on the newly created data unit, resulting from the integration of the Data management and intelligence teams, with the aim of increasing value for business. Assessed the adequacy of the resources of the data function and possible new regulations, without identifying material weaknesses at Group level. Reviewed the policy on data and artificial intelligence (machine learning) and its potential impacts.
Corporate documentation	<ul style="list-style-type: none"> Drafted the activities report of the committee for 2019, which includes a section dedicated to the activities carried out during the year, an analysis and assessment of the fulfilment of the functions entrusted to it, and the priorities for 2020 identified following the assessment carried out by the board and its committees.

Time devoted to each task

In 2019, the innovation and technology committee held 4 meetings. 'Board and committees attendance' in section 4.3 provides information on the attendance of committee members at those meetings and on the estimated average time devoted by them to preparing and participating in such meetings.

The chart below shows the distribution of the approximate time dedicated to each task by the committee in 2019.



Annual assessment of the functioning of the committee and fulfilment of the goals set for 2019

The committee's functioning during 2019 was considered as part of the overall internal assessment of board effectiveness carried out internally this year. The

assessment process positively rated the committee's leadership and the accurate documentation provided on the topics discussed that strengthened the quality of debate among members and sound decision-making, recognising also that continuous improvement in this regard should continue.

2020 Priorities

The committee has identified the following priorities for 2020:

- The committee composition and size will continue to be an area of focus as part of broader board committees' composition review conducted alongside ongoing board succession and recruitment planning.
- Focus on technology & operations transformation model execution and cyber security monitoring.
- The digital strategy will continue to be a priority and the committee will monitor and provide recommendations regarding the initiatives, targets, commitments, KPI's and metrics proposed on cross projects for the Group.
- Support the board on the innovation strategy of the Group as well as trends resulting from new business models, technologies and products, in coordination with the international advisory board.
- Supervise the effectiveness of data management, the adequate functioning of the new data unit and the appropriateness of its resources.

4.11 International advisory board

Members

The members are all external and not members of the board.

Composition	Positions
Chairman	Mr Larry Summers Former Secretary of the US Treasury and president emeritus of Harvard University
	Ms Sheila C. Bair Former chairman of the Federal Deposit Insurance Corporation. Former president of Washington College
	Mr Mike Rhodin Board member of TomTom, Syncsort and HzO. Former IBM senior Vice President
	Ms Marjorie Scardino Former CEO of Pearson and director of Twitter
Members	Mr Francisco D'Souza CEO of Cognizant and director of General Electric
	Mr James Whitehurst Chairman and CEO of Red Hat
	Mr George Kurtz CEO and co-founder of CrowdStrike
	Ms Blythe Masters Former CEO of Digital Asset Holdings
	Ms Nadia Schadlow Former deputy National Security Advisor for Strategy and Assistant to the President of the United States
Secretary	Mr Jaime Pérez Renovales

Functions

The Bank's international advisory board was formally established in 2016 in order to play a key role in providing strategic insight advice on issues and matters related to the challenges and opportunities for the future of the businesses of the Group. In particular, the international advisory board was scoped to focus on innovation, digital transformation, cybersecurity and new technologies, capital markets, corporate governance, brand and reputation and regulation and compliance.

The members are all prominent and respected international leaders with significant experience in strategic challenges and opportunities, with a focus on innovation, digital transformation and the US market.

Meetings

The international advisory board meets at least twice a year. In 2019, the international advisory board met in the spring and fall.

Rationale

The international advisory board allows the Group to benefit from, and gain in a structured and recurrent manner, the insights of international leaders who, due to their other commitments, could not provide such support as members of the board.

4.12 Related-party transactions and conflicts of interest

Related-party transactions

Directors, senior management and significant shareholders

This subsection includes the report on related-party transactions referred to in recommendation six of the Good Governance Code of Spanish Listed Companies.

In accordance with the Rules and Regulations of the board, the board of directors shall examine any transactions that the Bank or Group companies carry out with directors, with shareholders that own, whether individually or together with others, a significant interest, including shareholders represented on the board of directors of the Bank or of other Group companies, or with persons related to them.

These transactions require the authorisation of the board, following a favourable report from the audit committee, except where the law provides that the approval corresponds to the GSM. Exceptionally, and for reasons of urgency, related-party transactions may be authorised by the executive committee, with subsequent ratification by the board.

Such transactions shall be evaluated in light of the principle of equal treatment and in view of market conditions.

However, authorisation of the board shall not be required for transactions that simultaneously meet the following three conditions:

- They are carried out under contracts with basic standard terms that customarily apply to the customers contracting for the type of product or service in question;
- They are entered into prices or rates generally established by the party acting as supplier of the goods or service in question or, if the transactions concern goods or services for which no rates are established under arm's length conditions, similar to those applied to commercial relationships with customers having similar characteristics; and
- The amount does not exceed 1% of the Bank's annual income.

During 2019, following due enquiry, no member of the board of directors, no person represented by a director, and no company of which such persons, or persons acting in concert with them or through nominees, are directors, members of senior management or significant shareholders has carried out with the Bank into any significant transactions or under conditions which were not market conditions.

The audit committee has verified that all transactions completed with related parties during the year were fully compliant with the abovementioned conditions in order not to require approval from the governing bodies as mentioned in the audit committee activities report in section 4.5 '[Audit committee activities in 2019](#)'.

The Bank also has a policy for the admission, authorization and monitoring of loans, credits and guarantees to directors and members of senior management that contains the

procedure established for risk transactions of which they or their related parties are beneficiaries.

The policy includes general rules on maximum borrowing levels, interest rates and other conditions applicable in similar terms to those applicable to the rest of employees.

According to the mentioned policy and with the regulations applicable to credit institutions, the loans, credits or guarantees to be granted to directors and senior managers of the Bank need to be authorised by the board and subsequently by the ECB. There are two exceptions:

- Transactions subject to the conditions of a collective agreement agreed by the Bank and whose conditions are similar to the conditions of transactions granted to any Bank employee.
- Transactions carried out under contracts whose conditions are standardised and generally applied to a large number of customers, provided that the amount granted to the beneficiary or its related parties does not exceed the amount of EUR 200,000.

Direct risks of the Group regarding the Bank's directors and members of senior management as of 31 December 2019 in the form of loans, credits and guarantees provided in the ordinary course of business, are shown in note 5.f of the 'consolidated financial statements'. Their conditions are equivalent to those made under market conditions or the corresponding remuneration in kind has been attributed.

Intra-group transactions

With regard to intra-group transactions, identical rules, approval bodies and procedures apply as to transactions with customers, with mechanisms in place to monitor that such transactions are under market prices and conditions.

The amounts of the transactions with other Group entities (subsidiaries, associates and multigroup entities), as well as with directors, senior management and their related parties are included in note 53 ('[Related parties](#)') in the '[Consolidated financial statements](#)' and note 47 ('[Related parties](#)') in the individual financial statements.

Conflicts of interests

The Bank has approved standards and procedures that establish the criteria for the prevention of conflicts of interest that may arise as a result of the various activities and functions carried out by the Bank, or between the Bank's interests and those of its directors and senior management.

The Bank has an internal policy on conflicts of interest that provides the employees, directors and entities of the Group with criteria to prevent and manage any conflict of interest that may arise as a result of their activities.

Directors and senior management

Our directors must adopt the measures that are necessary to prevent situations in which their interests, whether their own or through another party, may enter into conflict with the corporate interest and their duties towards the Bank.

The duty to avoid conflicts of interest requires directors to fulfil certain obligations such as abstaining from using the Bank's name or their capacity as directors to unduly

influence private transactions, using corporate assets, including the confidential information of the Bank, for private purposes, taking advantage of business opportunities of the Bank, obtaining benefits or remuneration from third parties in connection with the holding of their position, except for those received merely as a sign of courtesy, carrying out activities, on their own behalf or on behalf of others, which actually or potentially entail effective competition with the Bank or which otherwise place them in a situation of permanent conflict with the interests of the Bank.

In any case, they must inform the board of any direct or indirect conflict of interest between their own interests or those of their related parties and those of the Bank that will be disclosed in the financial statements.

No director has communicated during 2019 any situation that places him or her in a conflict of interest with the Group. However, in 2019, there were 49 occasions in which directors abstained from participating in discussions and voting on matters at the meetings of the board of directors or of its committees. The breakdown of the 49 cases is as follows: on 28 occasions the abstention was due to proposals to appoint, re-elect or remove directors, and their appointment as members of board committees or as members of other boards at Santander Group companies; on 13 occasions the matter under consideration related to remuneration or the granting of loans or credits; and on 8 occasions the abstention concerned the annual verification of the status and the suitability of directors.

Further, the conflicts of interest policy and the Code of Conduct in Securities Markets to which both, the directors and the senior management of the Bank have adhered to, establishes mechanisms to detect and address conflicts of interest. These persons must present a statement to the Compliance function of the Bank detailing any relations they hold. This statement must be continuously updated. They must also notify the Compliance function of any situation in which a conflict of interest could occur owing to their relations or due to any other reason or circumstance and they shall abstain from deciding, or where applicable, voting in situations where a conflict exists and shall inform those who are to take the respective decision.

Conflicts of interest shall be resolved by the person holding the highest responsibility for the area involved. If several areas are affected, the resolution shall be made by the most senior officer in all such areas or if none of the foregoing rules are applicable, by the person appointed by the Compliance function. In the event of any doubt, the Compliance function should be consulted.

The control mechanisms and the bodies in charge of resolving this type of situation are described in the Code of Conduct in Securities Markets, which is available on the Group's corporate website. According to this code, and in relation to the Group's shares and securities, neither directors, the senior management nor their related parties may: (i) carry out counter-transactions on securities of the Group within 30 days following each acquisition or sale; or (ii) carry out transactions on Group securities in the one month preceding the announcement of quarterly, six-monthly or annual results until they are published.

Group companies

The Bank is the only Santander Group company listed in Spain, so it is not necessary to have mechanisms in place to resolve possible conflicts of interest with subsidiaries listed in Spain.

Notwithstanding this, in case of conflicts of interest that may arise between a subsidiary and the Bank, the latter as the parent company must take into account the interests of all its subsidiaries and the way such interests contribute to the long term interest of the subsidiaries and the Group as a whole. Furthermore, the Santander Group entities must take into account the interests of the Santander Group as a whole and, consequently, also examine how decisions adopted at the subsidiary level may affect the Group.

The Bank, as the parent company of Santander Group, structures the governance of the Santander Group through a system of rules that guarantees the existence of rules of governance and an adequate control system, as described in section 7 '[Group structure and internal governance](#)'.

5. Management team

The table below shows the profiles of the Bank's senior management (other than the executive directors described in section 4.1 'Our directors') as of 31 December 2019.

Mr Rami Aboukhair	COUNTRY HEAD – SANTANDER SPAIN	Born in 1967. He joined the Group in 2008 as a director of Santander Insurance and head of Products and Marketing. He also served as managing director of Products, Marketing and Customers in Banco Español de Crédito, S.A. (Banesto) and as managing director and head of Retail Banking in Santander UK. In 2015 he was appointed country head for Santander Spain and in 2017 he was named chief executive officer of Banco Popular Español, S.A. until its merger with Banco Santander, S.A. He is currently senior executive vice president and country head of Santander Spain.
Ms Lindsey Argalas	HEAD OF SANTANDER DIGITAL	Born in 1974. In 2017 she joined the Group as senior executive vice president and Group head of Santander Digital. She served as principal of The Boston Consulting Group (BCG) (1998-2008). She also served as senior vice president and chief of staff to the CEO of Intuit Inc. (2008-2017).
Mr Juan Manuel Cendoya	GROUP HEAD OF COMMUNICATIONS, CORPORATE MARKETING AND RESEARCH	Born in 1967. He joined the Bank in July 2001 as Group senior executive vice president and head of the Communications, Corporate Marketing and Research division. In 2016 he was appointed vice chairman of the board of directors of Santander Spain and head of Institutional and Media Relations of that unit, in addition to his function as Group head of Communications, Corporate Marketing and Research. He is also a member of the board of directors of Universia España Red de Universidades, S.A. Formerly, he was head of the Legal and Tax department of Bankinter, S.A. He is a State Attorney. He is currently a non-executive director at Arena Communications Network, S.L.
Mr José Doncel	GROUP HEAD OF ACCOUNTING AND FINANCIAL CONTROL	Born in 1961. He joined the Group in 1989 as head of Accounting. He also served as head of Accounting and Financial Management at Banco Español de Crédito, S.A. (Banesto) (1994-2013). In 2013 he was appointed senior executive vice president and head of the Internal Audit division. In 2014 he was appointed Group head of Accounting and Financial Control. Currently he serves as Group chief accounting officer.
Mr Keiran Foad	GROUP CHIEF RISK OFFICER	Born in 1968. He joined the Group in 2012 as deputy chief risk officer of Santander UK. He also served in various risk and corporate leadership roles at Barclays Bank, plc. (1985-2011) and as chief risk officer at Northern Rock, plc. In 2016 he was appointed senior executive vice president and deputy chief risk officer of the Bank until his appointment in 2018 as the Group chief risk officer.
Mr José Antonio García Cantera	GROUP CHIEF FINANCIAL OFFICER	Born in 1966. He joined the Group in 2003 as senior executive vice president of Global wholesale banking of Banco Español de Crédito, S.A. (Banesto). In 2006 he was appointed Banesto's chief executive officer. Formerly, he was member of the executive committee of Citigroup EMEA and member of the board of directors of Citigroup Capital Markets Int, Ltd. and Citigroup Capital Markets UK. In 2012 he was appointed senior executive vice president of Global Corporate Banking. Currently he serves as Group chief financial officer.
Mr Juan Guitard	GROUP CHIEF AUDIT EXECUTIVE	Born in 1960. He joined the Group in 1997 as head of Human Resources of Santander Investment, S.A. He was also General counsel and secretary of the board of Santander Investment, S.A. and Banco Santander de Negocios, S.A. In 2013 he was head of the Bank's Risk division. In November 2014 he was appointed head of the Internal Audit division. Currently, he serves as Group chief audit executive. Juan Guitard is a State attorney.
Mr José María Linares	GLOBAL HEAD OF CORPORATE & INVESTMENT BANKING	Born in 1971. He served as an equity analyst in Morgan Stanley & Co. New York (1993-1994). He worked as senior vice president and senior Latin America telecom equity analyst at Oppenheimer & Co. New York (1994-1997). He also served as director senior Latin America TMT equity analyst at Société Générale, New York & São Paulo (1997-1999). In 1999 he joined J.P. Morgan and in 2011 was appointed as managing director and head of Global Corporate Banking at J.P. Morgan Chase & Co. (2011-2017). In 2017 he was appointed senior executive vice president of the Group and Global head of Corporate & Investment Banking.

Ms Mónica López-Monís	GROUP HEAD OF SUPERVISORY AND REGULATORY RELATIONS	Born in 1969. She joined the Group in 2009 as general secretary and board secretary of Banco Español de Crédito, S.A. (Banesto). Formerly, she was general secretary of Aldeasa, S.A. She also served as general secretary of Bankinter, S.A. and independent director of Abertis Infraestructuras, S.A. In 2015 she was appointed senior executive vice president of Santander and Group chief compliance officer. Since September 2019, she is the Group head of Supervisory and Regulatory Relations. She is a State Attorney.
Mr Javier Maldonado	GROUP HEAD OF COSTS	Born in 1962. He joined the Group in 1995 as head of the International Legal division of Banco Santander de Negocios, S.A. He was in charge of several positions in Santander UK. He was appointed senior executive vice president of Santander and head of Coordination and Control of Regulatory Projects in 2014. He currently serves as Group senior executive vice president and head of Costs.
Mr Dirk Marzluf	GROUP HEAD OF TECHNOLOGY AND OPERATIONS	Born in 1970. He joined the Group in 2018 as Group senior executive vice president and Group head of IT and Operations. Previously he held several positions in AXA Group, where he served as group CIO from 2013 leading the insurance group's technology and information security transformation and co- sponsor of its digital strategy. His global roles include previous work at Accenture, Daimler Chrysler and Winterthur Group.
Mr Víctor Matarranz	GLOBAL HEAD OF WEALTH MANAGEMENT & INSURANCE	Born in 1976. He joined the Group in 2012 as head of Strategy and Innovation in Santander UK. In 2014 he was appointed senior executive vice president and head of Executive chairman's office and strategy. Previously, he held several positions in McKinsey & Company where he became partner. Currently, he serves as Global head of Wealth Management.
Mr José Luis de Mora	GROUP HEAD OF STRATEGY AND CORPORATE DEVELOPMENT AND OF CONSUMER FINANCE (SANTANDER CONSUMER FINANCE)	Born in 1966. He joined the Group in 2003. Since 2003, he has been in charge of developing the Group strategic plan and acquisitions. In 2015 he was appointed Group senior executive vice president and Group head of Financial Planning and Corporate Development. Since 15 February 2019, the Strategy function has been integrated with the Corporate Development function. Since 1 January 2020, he is also head of Santander Consumer Finance.
Mr José María Nus	RISK ADVISER TO GROUP EXECUTIVE CHAIRMAN	Born in 1950. He joined the Group in 1996 as executive director and chief risk officer of Banco Español de Crédito, S.A. (Banesto). In 2010 he was appointed executive director and chief risk officer of Santander UK. He also served as Group chief risk officer until June 2018. Formerly, he served as senior executive vice president in Argentaria, S.A. and Bankinter, S.A.. He currently serves as senior executive vice president and risk advisor to Group executive chairman.
Mr Jaime Pérez Renovales	GROUP HEAD OF GENERAL SECRETARIAT AND HUMAN RESOURCES	See profile in section 4.1 'Our directors'.
Mr Javier San Félix García	HEAD OF SANTANDER GLOBAL PAYMENTS	Born in 1967. He joined the Group in 2004 as head of Strategic Planning in the Consumer Finance division. In 2005 he was appointed director and executive vice president of Santander Consumer Finance in Spain and in 2006 he was appointed chief operating officer of the Santander Consumer Finance division. From 2012 to 2013, he was the chief executive officer of Banco Español de Crédito, S.A. (Banesto). In 2013 he was appointed senior executive vice president of Banco Santander, S.A. and head of the Commercial Banking division and from 2016 to 2018 he served as senior executive vice president and head of Retail and Commercial Banking in the UK. Currently, he serves as head of Santander Global Payments.
Ms Jennifer Scardino	HEAD OF GLOBAL COMMUNICATIONS. GROUP DEPUTY HEAD OF COMMUNICATIONS, CORPORATE MARKETING AND RESEARCH	Born in 1967. She joined the Group in 2011 as head of Corporate Communications, Public Policy and Corporate Social Responsibility for Santander UK. She also held several positions in the US Securities and Exchange Commission (1993-2000). She was appointed managing director of Citigroup (2000-2011). In 2016 she was appointed senior executive vice president and head of Global Communications and Group deputy head of Communications, Corporate Marketing and Research.
Ms Marjolien van Hellemond-Gerdingh	GROUP CHIEF COMPLIANCE OFFICER	Born in 1964. She joined the Group in 2019 as senior executive vice president and Group chief compliance officer. Previously she was chief compliance officer of several banking or financial entities like NN Group, Zurich Insurance Company and De Lage Landen International B.V.

6. Remuneration

Sections [6.1](#), [6.2](#), [6.3](#), [6.4](#), [6.5](#), [6.7](#), [9.4](#) and [9.5](#) constitute the annual report on directors' remuneration that must be prepared and submitted to the consultative vote of the general shareholders' meeting.

In addition, section [6.4](#) constitutes the directors' remuneration policy for 2020, 2021 and 2022, which is to be submitted to the vote of the general shareholders' meeting.

The annual report on directors' remuneration and the directors' remuneration policy for 2020, 2021 and 2022 have been approved by the board of directors of the Bank, in its meeting held on 27 February 2020. None of the directors voted against nor abstained in relation to their approval.

The text of the remuneration policy for directors in force at the date of this report is available at our corporate website.

6.1 Principles of the remuneration policy

Remuneration of directors in their capacity as such

The individual remuneration of directors, both executive and otherwise, for the performance of supervisory and collective decision-making duties, is determined by the board of directors, within the amount set by the shareholders, based on the positions held by the directors on the collective decision-making body itself and their membership and attendance of the various committees, as well as any other objective circumstances that the board may take into account.

Remuneration of directors for the performance of executive duties

The most notable principles of the Bank's remuneration policy for the performance of executive duties are as follows:

1. Remuneration must be aligned with the interests of shareholders and be focused on long-term value creation, while remaining compatible with rigorous risk management and with the Bank's long-term strategy, values and interests.
2. Fixed remuneration must represent a significant proportion of total compensation.
3. Variable remuneration must compensate for performance in terms of the achievement of agreed goals of the individual and within the framework of prudent risk management.
4. The global remuneration package and the structure thereof must be competitive, in order to attract and retain professionals.
5. Conflicts of interest and discrimination must be avoided in decisions regarding remuneration.

The assistance of Willis Towers Watson was sought by the remuneration committee and the board for the following purposes:

- To compare the relevant data with that on the markets and comparable entities, given the size, characteristics and activities of the Group.
- To analyse and confirm the compliance of certain quantitative metrics relevant to the assessment of certain objectives.
- To estimate the fair value of the variable remuneration linked to long-term objectives.

6.2 Remuneration of directors for the performance of supervisory and collective decision-making duties: policy applied in 2019

A. Composition and limits

As set out in Banco Santander's Bylaws, the remuneration of directors in their condition as such consists of a fixed annual amount determined at the general shareholders' meeting. This amount shall remain in effect until the shareholders resolve to amend it, though the board may reduce its amount in the years it considers such reduction appropriate. The remuneration established at the general shareholders' meeting for 2019 was EUR 6 million, with two components: (a) annual allotment and (b) attendance fees.

In addition, the Bank contracts a civil liability insurance policy for its directors upon customary terms that are proportionate to the circumstances of the Bank. Directors are also entitled to receive shares, share options or share-linked compensation following the approval of the general shareholders' meeting.

Directors are also entitled to receive other compensation following a proposal made by the remuneration committee and upon resolution by the board of directors, as may be deemed appropriate in consideration for the performance of other duties in the Bank, whether they are the duties of an executive director or otherwise, other than the supervisory and collective decision-making duties that they discharge in their capacity as members of the board.

None of the non-executive directors has the right to receive any benefit on the occasion of their removal as such.

B. Annual allotment

The amounts received individually by the directors during the last two years based on the positions held on the board and their membership on the various board committees were as follows:

Amount per director in euros	2019	2018
Members of the board of directors	90,000	90,000
Members of the executive committee	170,000	170,000
Members of the audit committee	40,000	40,000
Members of the appointments committee	25,000	25,000
Members of the remuneration committee	25,000	25,000
Members of the risk supervision, regulation and compliance committee	40,000	40,000
Members of the responsible banking, sustainability and culture committee	15,000	15,000
Chairman of the audit committee	70,000	70,000
Chairman of the appointments committee	50,000	50,000
Chairman of the remuneration committee	50,000	50,000
Chairman of the risk supervision, regulation and compliance committee	70,000	70,000
Chairman of the responsible banking, sustainability and culture committee	50,000	50,000
Lead director	110,000	110,000
Non-executive vice chairmen	30,000	30,000

A. Mr Bruce Carnegie-Brown, for duties performed as part of the board and board committees, specifically as chairman of the appointments and remuneration committees and as lead director, and for the time and dedication required to perform these duties, has been allocated minimum total annual remuneration of EUR 700,000 since 2015, including the aforementioned annual allowances and attendance fees corresponding to him.

C. Attendance fees

By resolution of the board, at the proposal of the remuneration committee, the amount of attendance fees applicable to meetings of the board and its committees (excluding the executive committee, for which no fees are provided) during the last two years was as follows:

Attendance fees per director per meeting in euros	2019	2018
Board of directors	2,600	2,600
Audit committee and risk supervision, regulation and compliance committee	1,700	1,700
Other committees (excluding executive committee)	1,500	1,500

D. Breakdown of bylaw-stipulated emoluments

The total amount accrued for bylaw-stipulated emoluments and attendance fees was EUR 4.9 million in 2019 (EUR 4.6 million in 2018), which is 19% less than the amount approved at the general shareholders' meeting. The individual amount accrued for each director for these items is as follows:

		Amount in euros										2018	
		2019											
		Annual allotment											
Directors	Non-executive	Board ^H	EC	AC	ASC	RC	RSRCC	RBSCC	Total	Board and committee attendance fees	Total by-law stipulated emoluments and attendance fees		
Ms Ana Botín-Sanz de Sautuola y O'Shea		90,000	170,000	—	—	—	—	15,000	275,000	58,800	333,800	307,000	
Mr José Antonio Álvarez Álvarez		90,000	170,000	—	—	—	—	—	260,000	52,800	312,800	294,000	
Mr Bruce Carnegie-Brown	I	392,700	170,000	—	25,000	25,000	—	—	612,700	87,300	700,000	732,000	
Mr Rodrigo Echenique Gordillo ^A	N	90,000	56,667	—	16,667	—	—	—	163,334	55,800	219,134	293,000	
Mr Guillermo de la Dehesa Romero	N	90,000	170,000	—	25,000	25,000	—	—	310,000	88,800	398,800	441,000	
Ms Homaira Akbari	I	90,000	—	40,000	—	—	—	15,000	145,000	80,900	225,900	199,000	
Mr Ignacio Benjumea Cabeza de Vaca	N	90,000	170,000	—	—	25,000	40,000	15,000	340,000	92,700	432,700	432,000	
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea ^B	N	90,000	—	—	—	—	—	—	90,000	46,800	136,800	121,000	
Ms Sol Daurella Comadrán	I	90,000	—	—	25,000	25,000	—	15,000	155,000	84,700	239,700	215,000	
Ms Esther Giménez-Salinas i Colomer	I	90,000	—	—	4,368	—	40,000	15,000	149,368	79,400	228,768	196,000	
Ms Belén Romana García	I	160,000	170,000	40,000	—	—	40,000	15,000	425,000	99,600	524,600	414,000	
Mr Ramiro Mato García-Ansorena	I	140,000	170,000	40,000	—	—	40,000	15,000	405,000	95,300	500,300	450,000	
Mr Álvaro Cardoso de Souza ^C	I	160,000	—	—	—	—	40,000	15,000	215,000	60,500	275,500	148,000	
Mr Henrique de Castro ^D	I	41,129	—	7,849	—	4,368	—	—	53,346	33,400	86,746	—	
Mrs Pamela Ann Walkden ^E	I	15,726	—	6,989	—	—	—	—	22,715	11,200	33,915	—	
Mr Carlos Fernández González ^F	I	74,274	—	33,011	20,632	20,632	—	—	148,549	64,700	213,249	266,000	
Mr Juan Miguel Villar Mir ^G	I	—	—	—	—	—	—	—	—	—	—	108,000	
Total		1,793,829	1,246,667	167,849	116,667	125,000	200,000	120,000	3,770,012	1,092,700	4,862,712	4,616,000	

A. Ceased to be an executive director on 30 April 2019. Non-executive director since 1 May 2019.

B. All amounts received were reimbursed to Fundación Botín.

C. Director since 1 April 2018.

D. Director since 17 July 2019.

E. Director since 29 October 2019.

F. Ceased to be a director on 28 October 2019.

G. Ceased to be a director on 1 January 2019.

H. Includes committees chairmanship and other role emoluments.

P: Proprietary I: Independent N: Non-external (neither proprietary nor independent).

EC: Executive committee AC: Audit committee ASC: Appointments committee RC: Remuneration committee RSRCC: Risk supervision, regulation and compliance committee. RBSCC: Responsible Banking, sustainability and culture committee.

6.3 Remuneration of directors for the performance of executive duties

The policy applied to the remuneration of directors in 2019 for the performance of executive duties was approved by the board of directors and submitted to a binding vote at the general shareholders' meeting of 12 April 2019, with 91,64% of the votes in favour. The table below summarises the remuneration policy and its implementation.

Component	Type of component	Policy	Implementation in 2019
Gross annual salary	Fixed	<ul style="list-style-type: none"> • Paid in cash on a monthly basis. 	<ul style="list-style-type: none"> • Ana Botin: EUR 3,176 thousand. • José Antonio Álvarez: EUR 2,541 thousand. • Rodrigo Echenique: EUR 600 thousand. Ceased to be an executive director on 30 April 2019. Figure includes his gross annual salary until he ceased to be a director.
Variable remuneration	Variable	<ul style="list-style-type: none"> • Individual benchmark reference. • Calculated against a set of annual quantitative metrics and a qualitative assessment with input of individual performance. • 50% of each payment is made in shares subject to a one-year retention. The number of shares is determined at the time of the award. • 40% paid in 2020; 60% deferred in five years. <ul style="list-style-type: none"> • 24% paid in equal parts in 2021 and 2022. • 36% paid in equal parts in 2023, 2024 and 2025 subject to the compliance with a set of long-term objectives (2019-2021). 	<ul style="list-style-type: none"> • See section 6.3 B ii) for details of annual metrics and assessment. • See section 6.3 B iv) for details of the long-term metrics. • See section 6.3 B iii) for details of the individual awards.
Benefit system	Fixed	<ul style="list-style-type: none"> • Annual contribution at 22% of base salary. • Mr Echenique's contract did not provide for any pension benefit, without prejudice to his pension rights before he was appointed executive director. 	
	Variable	<ul style="list-style-type: none"> • Annual contribution at 22% of the 30% of the average of the last three-years variable remuneration 	<ul style="list-style-type: none"> • See section 6.3 C for details of the annual contributions and pension balance.
Other remuneration	Fixed	<ul style="list-style-type: none"> • Includes life and accident and medical insurance, including any tax due on benefits. • Includes a fixed remuneration supplement in cash (not salary nor pensionable) as part of the elimination of the death and disability supplementary benefits. 	<ul style="list-style-type: none"> • No change from 2018 for Ana Botin or José Antonio Álvarez.
		<ul style="list-style-type: none"> • Payment for non-compete commitment 	<ul style="list-style-type: none"> • Due to his termination as executive director on 30 April 2019 Rodrigo Echenique has received an amount of € 1,800 thousand in compensation for his two year non-compete commitment.
Shareholding policy	N/A	<ul style="list-style-type: none"> • 200% of the net tax amount of the annual gross basic salary. • Five years from 2016 to demonstrate the shareholding. 	<ul style="list-style-type: none"> • No change from 2018.

A. Gross annual salary

The board resolved to maintain the same gross annual salary for Ms Ana Botin and Mr José Antonio Álvarez for 2019 as in 2018.

As regards fixed pension contributions, the 22% contribution of the gross annual salary agreed for 2018 has been maintained for 2019.

In summary, the executive directors' gross annual salary and fixed annual contribution to pension for 2019 and 2018 were as follows:

EUR thousand	2019			2018		
	Gross annual salary	Fixed annual pension contribution	Total	Gross annual salary	Fixed annual pension contribution	Total
Ms Ana Botín-Sanz de Sautuola y O'Shea	3,176	699	3,875	3,176	699	3,875
Mr José Antonio Álvarez Álvarez	2,541	559	3,100	2,541	559	3,100
Mr Rodrigo Echenique Gordillo ^A	600	—	600	1,800	—	1,800
Total	6,317	1,258	7,575	7,517	1,258	8,775

A. Ceased to be an executive director on 30 April 2019. Non-executive director since 1 May 2019. Figure includes his gross annual salary until he ceased to be an executive director.

B. Variable remuneration

i) General policy for 2019

The board approved the variable remuneration of the executive directors, at the proposal of the remuneration committee, in consideration of the approved policy:

- The variable components¹ of the total remuneration of executive directors in 2019 amounts to less than 200% of the fixed components, as established by resolution of the general shareholders' meeting of 12 April 2019.
- At the request of the remuneration committee, at the beginning of 2020 the board approved the final amount of the incentive for 2019, based on the agreed bonus pool, in accordance with the following:
 - A group of short-term quantitative metrics measured against annual objectives.
 - A qualitative assessment which cannot adjust the quantitative result by more than 25 percentage points upwards or downwards.
 - Where applicable, an exceptional adjustment that will be supported by the substantiated evidence.
 - The individual reference variable remuneration is fixed based on the individual benchmark variable remuneration figure of the executive director, in accordance with the current model and taking into account (i) their individual objectives, which in general terms coincide with those of the Group, covering financial metrics, risk management metrics, client satisfaction metrics and social impact related metrics, such as being among the Top 10 companies to work for in the main geographies where the Group is present or financial empowerment objectives, as well (ii) as how they are achieved, taking into account the management of employees and the adherence to the corporate behaviours.



A. Where applicable, an exceptional adjustment based on substantiated evidence

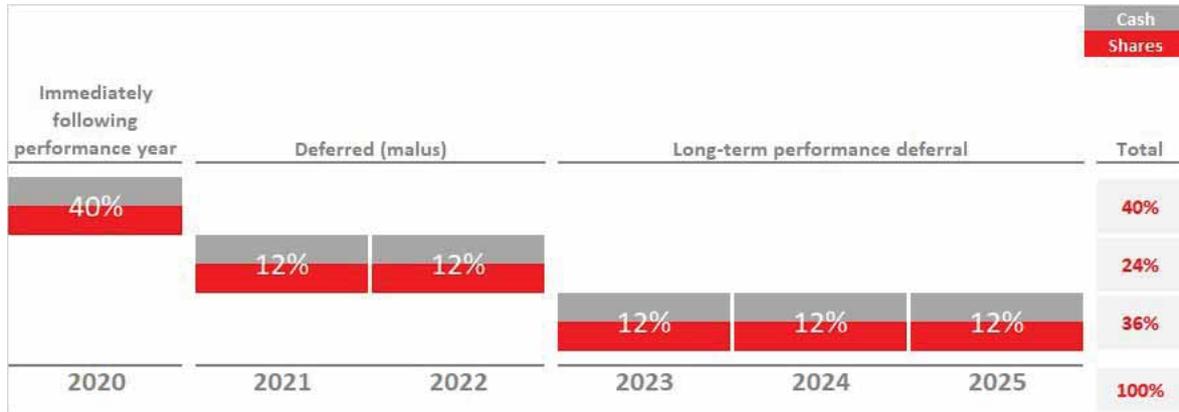
The quantitative metrics and the elements of the qualitative assessment are described below.

- The approved incentive is paid 50% in cash and 50% in shares², 40% shall be paid in 2020, once the final amount has been determined, and the remaining 60% shall be deferred in equal parts over five years and subject to long term metrics, as follows:
 - Payment of the amount deferred over the first two years (24% of the total), payable in 2021 and 2022, where applicable, shall be conditional on none of the malus clauses described below being triggered.
 - The amount deferred over the next three years (36% of the total), payable in 2023, 2024 and 2025, where applicable, shall be conditional not only on the malus clauses not being triggered but also on the achievement of the multi-year targets described below. These objectives can only decrease the amounts and the number of deferred shares.
 - When the deferred amount is paid in cash, the beneficiary may be paid the adjustment for inflation through the date of payment.
 - All payments in shares are subject to a one-year retention period after being delivered.
 - The hedging of Santander shares received during the retention and deferral periods is expressly prohibited. The sale of shares is also prohibited for one year from the receipt thereof.

¹ As stated in the initial table of this section 6.3, contributions to below of this section of the report, contributions to the benefits systems for two executive directors include both fixed components and variable components, which become part of the total variable remuneration.

² Since variable remuneration involves the delivery of shares of the Bank, the board of directors submitted to the shareholders at the 2019 annual general shareholders' meeting, which so approved, the application of the fourth cycle of the Deferred Variable Remuneration Plan Linked to Multi-Year Targets, through which the aforementioned variable remuneration for executive directors is instrumented.

The payment schedule of the incentive is illustrated below.



All deferred payments, whether or not subject to long-term objectives, are subject to malus.

Similarly, the incentives already paid will be subject to clawback by the Bank in the scenarios and for the period set forth in the Group's malus and clawback policy.

ii) Quantitative metrics and qualitative assessment for 2019

The variable remuneration for executive directors in 2019 factored in the quantitative metrics and qualitative factors approved by the board at the beginning of 2019 at the proposal of the remuneration committee³, which has taken into account the policy referred to in the paragraphs above and the work of the human resources committee⁴. The result of aggregating the quantitative and qualitative weighted results is as follows:

³ Before determining the variable remuneration of executive directors and other senior managers, the committee receives a joint report from the risk compliance, audit and financial control functions of the Group identifying material errors which occurred during the year and satisfying itself that this has been appropriately reflected in the compensation proposals for each of these executives.

⁴ This committee was aided by members of senior management who are also responsible for different functions in the Group, including risk, internal audit, compliance, general secretariat and human resources, financial management, financial accounting and control. Their role in this committee consisted of analysing quantitative metrics information, undertaking a qualitative analysis, and considering whether or not to apply exceptional adjustments. This analysis included different matters related to risk, capital, liquidity, quality and recurrence of results, and other compliance and control matters.

Category and (weight)	Quantitative metrics			Qualitative		Total weighted score ^B
	Metrics	Assessment	Weighted assessment ^A	Component	Assessment	
Customers (20%)	Net Promoter Score (NPS) ^C	105.2%	10.5%	Effective compliance with the objectives of the rules on risk conduct in respect of customers.	+3% - Strengthened management of conduct risk, including internal governance processes	23.6%
	Number of loyal customers ^D	101.3%	10.1%			
Risks (10%)	Non-performing loans ratio	108.0%	5.4%	Appropriate management of risk appetite and excesses recognised.	+1.3%. No relevant non-compliance in risk appetite. Improvement of fundamental controls	12.0%
	Cost of Credit Ratio (IFRS9)	106.2%	5.3%			
Capital (20%)	Capital ratio (CET1)	147.5%	29.5%	Efficient capital management.	+3.6%- Exceeded capital plan, with more sustainable growth, while complying with enhanced regulatory capital requirements	33.1%
Return (50%)	Ordinary net profit (ONP) ^E	97.6%	19.5%	Suitability of business growth compared to the previous year, considering the market environment and competitors.	+3.1%	52.5%
	RoTE - Return on Tangible Equity	96.0%	28.8%	Sustainability and solidity of results. Efficient cost management and achievement of efficiency goals.	+1.1%	
Exceptional adjustment	Elements (non-exhaustive) under consideration: macro-economic environment, general control environment, compliance with internal and external regulations, prudent and efficient liquidity and capital planning management.			Although the underlying business performance resulted in a bonus calculus of 121.26%, there has been a management proposal, supported by the Remuneration Committee and approved by the Board of Directors, to exercise downward discretion to the 2019 variable remuneration to better align with challenging market environment and subsequent attributable profit and shareholder returns. This results in a 12% reduction of total variable remuneration for the Chairwoman and the CEO in 2019.		(-14.5%)
TOTAL						106.7%

- A. The weighted assessment is the result of multiplying the assessment of each objective by the weight of each objective. When there is more than one objective in the category and save for Note E below, the weight of each objective in the category is the same.
- B. Result of adding or subtracting the qualitative assessment to the weighted assessment.
- C. Net Promoter Core (NPS) measures the customers' willingness to recommend Santander. The assessment is based on the number of the Group's main markets were Santander NPS scores in top 3. The objectives for this metric were exceeded in 2019, with top 3 NPS score in 8 of the 9 main markets of the Group.
- D. The number of loyal clients at closing of 2019 has been 21,556 thousand, exceeding budget in 267 thousand.
- E. For this purpose, ONP is attributed ordinary net profit, adjusted upwards or downwards for those transactions that, in the opinion of the board, have an impact outside of the performance of the directors being evaluated, whereby extraordinary profit, corporate transactions, special allowances, or accounting or legal adjustments that may occur during the year are evaluated for this purpose.
The specific weight of ONP in the total scorecard is 20% and RoTE is 30%.

The individual variable remuneration approved by the board is set out in the section below.

iii) Determination of the individual variable remuneration for executive directors in 2019

The board approved the variable remuneration of the executive directors, at the proposal of the remuneration committee, taking into account the policy referred to in the paragraphs above and the result of the quantitative metrics and qualitative assessment set out in the section above.

It was also verified that none of the following circumstances have occurred:

- The Group's ONP⁵ for 2019 was not less than 50% of that for 2018. If this had occurred, the variable remuneration would not have been greater than 50% of the benchmark incentive.
- The Group's ONP has not been negative. If this had occurred, the incentive would have been zero.

For Ms Ana Botín and Mr José Antonio Álvarez the board resolved to maintain in 2019 the same benchmark incentive as in 2018.

⁵ For this purpose, ONP is attributed ordinary net profit, adjusted upwards or downwards for those transactions that, in the opinion of the board, have an impact outside of the performance of the directors being evaluated, whereby extraordinary profit, corporate transactions, special allowances, or accounting or legal adjustments that may occur during the year are evaluated for this purpose.

Variable contributions to pensions have not been modified in 2019, so the amounts are the 22% of the 30% of the last three assigned bonus' average.

As a result of the aforementioned process, and following a proposal by the remuneration committee, the board of directors has approved a reduction in the variable remuneration of the Chairman and CEO of 12% from 2018,

as shown in the following chart, which includes the amounts of variable remuneration payable immediately and deferred amounts not linked to long-term metrics, as well as in the chart following the one below, which includes variable remuneration deferred and linked to long-term objectives:

Immediately payable and deferred (not linked to long-term objectives) variable remuneration

EUR thousand	2019			2018		
	In cash	In shares	Total	In cash	In shares	Total
Ms Ana Botín-Sanz de Sautuola y O'Shea	2,084	2,084	4,168	2,368	2,368	4,736
Mr José Antonio Álvarez Álvarez	1,393	1,393	2,786	1,582	1,582	3,164
Mr Rodrigo Echenique Gordillo	640	640	1,280	1,256	1,256	2,512
Total	4,117	4,117	8,234	5,206	5,206	10,412

A. Ceased to be an executive director on 30 April 2019. Non-executive director since 1 May 2019. Immediate and deferred variable remuneration (not linked to long-term objectives) included until termination date as executive director.

B. The share amounts in the foregoing table correspond to a total of 1,122 thousand shares in Banco Santander (1,211 thousand shares in 2018).

The deferred portion of the variable remuneration, which will only be received, in 2023, 2024 and 2025, if the aforementioned long-term multi-year targets are met (see section 6.3 B iv)), on condition that the beneficiaries

continue to be employed at the Group, in the terms agreed by the Shareholders Meeting, and provided malus and clawback clauses have not been triggered, is stated at its fair value in the following chart⁶:

Deferred variable remuneration linked to long-term objectives

EUR thousand	2019			2018		
	In cash	In shares	Total	In cash	In shares	Total
Ms Ana Botín-Sanz de Sautuola y O'Shea	821	821	1,642	932	932	1,864
Mr José Antonio Álvarez Álvarez	548	548	1,096	623	623	1,246
Mr Rodrigo Echenique Gordillo	252	252	504	495	495	990
Total	1,621	1,621	3,242	2,050	2,050	4,100

A. Ceased to be an executive director on 30 April 2019. Non-executive director since 1 May 2019. Immediate and deferred variable remuneration (not linked to long-term objectives) included until termination date as an executive director.

B. The share amounts in the foregoing table correspond to a total of 442 thousand shares in Banco Santander (477 thousand shares in 2018).

⁶ Corresponding to the fair value of the maximum amount to be received over a total of 3 years, subject to continued service -with the exceptions envisaged-, non-applicability of malus clauses and compliance with the defined goals. Fair value was estimated at the plan award date, taking into account various possible scenarios for the different variables contained in the plan during the measurement periods.

The fair value has been determined at the grant date based on the valuation report of an independent expert, Willis Towers Watson. According to the design of the plan for 2019 and the levels of achievement of similar plans in comparable entities, the expert concluded that the reasonable range for estimating the initial achievement ratio is in the range of 60% - 80%. Accordingly, it has been considered that the fair value is 70% of the maximum.

The maximum total number of shares relating to the plan (1,753 shares without the fair value adjustment) is within the maximum limit of 3,134 thousand shares authorised for executive directors by the shareholders at the general shareholders' meeting of 12 April 2019, and has been

calculated on the basis of the average weighted daily volume of the average weighted listing prices of Santander shares for the 15 trading sessions prior to the Friday (not inclusive) before 28 January 2020 (the date on which the board approved the bonus for the executive directors for 2019), which was 3.67 euros per share.

iv) Multi-year targets linked to the payment of deferred amounts in 2023, 2024 and 2025

The multi-year targets linked to the payment of the deferred amounts payable in 2023, 2024 and 2025 are summarised as follows:

	Metrics	Weight	Target and compliance scales (metrics ratios)
A	Earnings per share (EPS) growth in 2021 vs 2018	33%	If EPS growth \geq 15%, then metric ratio is 1 If EPS growth \geq 10% but < 15%, then metric ratio is 0 - 1 ^C If EPS growth < 10%, then metric ratio is 0
B	Relative Total Shareholder Return (TSR) ^A in 2019-2021 within a peer group	33%	If ranking of Santander above percentile 66, then metric ratio is 1 If ranking of Santander between percentiles 33 and 66, then ratio is 0 - 1 ^D If ranking of Santander below percentile 33, then metric ratio is 0
C	Fully loaded target common equity Tier 1 ratio (CET1) ^B for 2021	33%	If CET1 is \geq 12%, then metric ratio is 1 If CET1 is \geq 11.50% but < 12%, then metric ratio is 0 - 1 ^E If CET1 is < 11.5%, then metric ratio is 0

- A. For this purpose, TSR refers to the difference (expressed as a percentage) between the final value of an investment in ordinary shares of Banco Santander and the initial value of the same investment. This will be calculated factoring into the calculation of the final value the dividends or other similar instruments (such as the Santander Scrip Dividend Programme) received by the shareholder in relation to this investment during the corresponding period of time, as if an investment had been made in more shares of the same type at the first date on which the dividend or similar concept was payable to shareholders and the weighted average share price at that date. To calculate TSR, the average weighted daily volume of the average weighted listing prices for the fifteen trading sessions prior to 1 January 2019 (exclusive) is taken into consideration (to calculate the initial value) and that of the fifteen trading sessions prior to 1 January 2022 (exclusive) (to calculate the final value). The peer group comprises the following 9 entities: BBVA, BNP Paribas, Citi, Credit Agricole, HSBC, ING, Itaú, Scotia Bank and Unicredit.
- B. To verify compliance with this objective, possible increases in CET1 resulting from capital increases shall be disregarded (with the exception of those related to the Santander Scrip Dividend programme). Further, the CET1 ratio as at 31 December 2021 could be adjusted to strip out the impact of any regulatory changes affecting its calculation implemented until that date.
- C. Linear increase in the EPS ratio based on the specific percentage that EPS growth in 2021 represents with respect to 2018 EPS within this bracket of the scale.
- D. Proportional increase in the TSR ratio based on the number of positions moved up in the ranking.
- E. Linear increase in the CET1 coefficient as a function of the CET1 ratio in 2021 within this bracket of the scale.

To determine the annual amount of the deferred portion linked to objectives corresponding to each board member in 2023, 2024 and 2025, the following formula shall be applied to each of these payments ('Final annuity') without prejudice to any adjustment deriving from the malus clauses:

$$\text{Final annuity} = \text{Amt.} \times (1/3 \times A + 1/3 \times B + 1/3 \times C)$$

where:

- 'Amt.' is one third of the variable remuneration amount deferred conditional on performance (i.e. Amt. will be 12% of the total variable remuneration set in early 2020).
- 'A' is the EPS ratio according to the scale in the table above, based on EPS growth in 2021 vs 2018.

- 'B' is the TSR ratio according to the scale in the table above, according to the relative performance of the Bank's TSR within its peer group in 2019-2021.
- 'C' is the CET1 ratio according to compliance with the CET1 target for 2021 described in the table above.

v) Malus and clawback

Accrual of the deferred amounts (whether or not linked to multi-year targets) is also conditional upon the beneficiary's continued service in the Group⁷, as well as upon none of the circumstances arising, in the period prior to each payment, that give rise to the application of malus arrangements in accordance with the section on malus and clawback clauses in the Group's remuneration policy. Similarly, the variable

⁷ When the relationship with Banco Santander or another Santander Group entity is terminated due to retirement, early retirement or pre-retirement of the beneficiary, a dismissal considered by the courts to be improper, unilateral withdrawal for good cause by an employee (which includes, in any case, the situations set forth in article 10.3 of Royal Decree 1382/1985, of 1 August, governing the special relationship of senior management, for the persons subject to these rules), permanent disability or death, or as a result of an employer other than Banco Santander ceasing to belong to the Santander Group, as well as in those cases of mandatory redundancy, the right to receive shares and deferred amounts in cash and, where applicable, the amounts arising from the adjustment for inflation of the deferred amounts in cash shall remain under the same conditions in force as if none of such circumstances had occurred. In the case of death, the right shall pass to the successors of the beneficiary. In cases of justified temporary leave due to temporary disability, suspension of the contract due to maternity or paternity leave, or leave to care for children or a relative, there shall be no change in the rights of the beneficiary. If the beneficiary goes to another Santander Group company (including through international assignment and/or expatriation), there shall be no change in the rights thereof. If the relationship is terminated by mutual agreement or because the beneficiary obtains a leave not referred to in any of the preceding paragraphs, the terms of the termination or temporary leave agreement shall apply. None of the above circumstances shall give the right to receive the deferred amount in advance. If the beneficiary or the successors thereof maintain the right to receive the deferred remuneration in shares and cash and, where applicable, the amounts arising from the adjustment for inflation of the deferred amounts in cash, it shall be delivered within the periods and under the terms provided in the rules for the plans.

remuneration already paid will be subject to clawback by the Bank in the scenarios and for the period set forth in said policy, all under the terms and conditions provided.

The variable remuneration corresponding to 2019 is subject to clawback until the beginning of 2026.

Malus and clawback clauses are triggered in situations in which there is poor financial performance of the Bank as a whole or a specific division or area thereof or of the exposure generated by staff, taking into account at least the following:

Category	Factors
Risk	Significant failures in risk management by the Bank, or by a business or risk control unit.
Capital	An increase in capital requirements at the Bank or one of its business units not planned at the time that exposure was generated.
Regulation and internal codes	Regulatory penalties or legal convictions for events that might be attributable to the unit or staff responsible for them. In addition, failure to comply with the Bank's internal codes of conduct.
Conduct	Improper conduct, whether individual or collective. Negative effects deriving from the marketing of unsuitable products and the liability of persons or bodies making such decisions will be considered especially significant.

The application of malus or clawback clauses for executive directors shall be determined by the board of directors, at the proposal of the remuneration committee, and cannot be proposed once the retention period related to the final payment in shares in accordance with the plan has elapsed in the beginning of 2026. Consequently, the board of directors, at the proposal of the remuneration committee and depending on the level of compliance with the aforementioned conditions regarding malus clauses, shall determine the specific amount of the deferred incentive to be paid and, where applicable, the amount that could be subject to clawback.

C. Main features of the benefit plans

The executive directors other than Mr Rodrigo Echenique participate in the defined benefit system created in 2012, which covers the contingencies of retirement, disability and death.

In the event of pre-retirement and up until the retirement date, the executive directors other than Mr Rodrigo Echenique have the right to receive an annual allotment. In the case of Ms Ana Botín, this allotment is the sum of her fixed remuneration and 30% of the average of the three remunerations as a maximum. In the case of Mr José Antonio Álvarez, this allotment is the fixed remuneration paid as senior vice president.

According to the 2012 system, executive director contracts (and of other members of the Bank's senior management) with defined benefit pension commitments were amended to transform them into a defined contribution system, under which the Bank makes annual contributions to the benefit plans. The new system gives executive directors the right to receive benefits upon retirement regardless of whether or not they are active at the Bank at such time, based on

contributions to the system, and replaced their previous right to receive a pension supplement in the event of retirement.

The initial balance for each of the executive directors in the new defined benefits system corresponded to the market value of the assets from which the provisions corresponding to the respective accrued obligations had materialised on the date on which the old pension commitments were transferred into the new benefits system.

Since 2013, the Bank has made annual contributions to the benefits system in favour of executive directors and senior executives, in proportion to their respective pensionable bases, until they leave the Group or until their retirement within the Group, death, or disability (including, if applicable, during pre-retirement). The pensionable base for the purposes of the annual contributions for the executive directors is the sum of fixed remuneration plus 30% of the average of their last three variable remuneration amounts (or, in the event of Mr José Antonio Álvarez's pre-retirement, his fixed remuneration as a senior executive vice president). The contributions will be 22% of the pensionable bases in all cases.

Mr Rodrigo Echenique's contract does not provide for any charge to Banco Santander regarding benefits, without prejudice to the pension rights to which he was entitled prior to his appointment as executive director.

Further to applicable remuneration regulations, the contributions calculated on the basis of variable remuneration are subject to the discretionary pension benefits scheme. Under this scheme, these contributions are subject to malus and clawback clauses in accordance with the policy in place at any given time and during the same period in which variable remuneration is deferred. Furthermore, they must be invested in shares of the Bank for a period of five years from the date that the executive director leaves the Group, regardless of whether or not they leave to retire. Once that period has elapsed, the amount invested in shares will be reinvested, along with the remainder of the cumulative balance corresponding to the executive director, or it will be paid to the executive director or to their beneficiaries in the event of a contingency covered by the benefits system.

The benefit plan is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A., and the economic rights of the foregoing directors under this plan belong to them regardless of whether or not they are active at the Bank at the time of their retirement, death or disability. The contracts of these directors do not provide for any severance payment in the event of termination other than as may be required by law, and, in the case of pre-retirement, to the aforementioned annual allotment.

Until March 2018, the system also included a supplementary benefits scheme for cases of death (death of spouse and death of parent) and permanent disability of serving directors envisaged in the contracts of Ms Ana Botín and Mr José Antonio Álvarez.

As per the director's remuneration policy approved at the 23 March 2018 general shareholder's meeting, the system includes contributions at 22% of the respective pensionable base (which consists in the sum of the fixed remuneration

plus 30% of the average of the last three variable remuneration payments), and supplementary benefits scheme were eliminated from 1 April 2018, increasing the sum insured in the life accident insurance and setting a fixed remuneration supplement in cash reflected in "Other remuneration".

The provisions recognised in 2019 for retirement pensions amounted to 2,003 thousand euros (2,284 thousand euros in 2018), as broken down below.

EUR thousand	2019	2018
Ms Ana Botín-Sanz de Sautuola y O'Shea	1,145	1,234
Mr José Antonio Álvarez Álvarez	858	1,050
Mr Rodrigo Echenique Gordillo	—	—
Total	2,003	2,284

The balance in the benefits system corresponding to each of the executive directors at 31 December 2018 and 2017 is as follows:

EUR thousand	2019	2018
Ms Ana Botín-Sanz de Sautuola y O'Shea	48,104	46,093
Mr José Antonio Álvarez Álvarez	17,404	16,630
Mr Rodrigo Echenique Gordillo	13,268	13,614
Total	78,776	76,337

A. Mr Rodrigo Echenique does not participate in the defined pensions scheme described in the preceding paragraphs. However, as a previous executive director and for informational purposes, this year's table includes the rights to which he was entitled prior to his designation as such. The payments made to him in 2018 with respect to his participation in this plan amounted to EUR 0.9 million euros (EUR 0.9 million euros in 2017).

D. Other remuneration

In addition to the above, the Group has insurance policies for life, health and other contingencies for the executive directors of the Bank. This other remuneration component also includes the fixed supplement approved for Ms Ana Botín and Mr José Antonio Álvarez to replace the supplementary benefits in the benefit systems eliminated in 2018, as well as the cost for insuring death or disability until their retirement date. Similarly, the executive directors are covered under the civil liability insurance policy contracted by the Bank.

Mr. Rodrigo Echenique has received an amount of 1,800 thousand euros in compensation for his two year non-compete commitment from the date he has ceased in his role as executive director, 30 April 2019.

[Note 5](#) to the Group's consolidated financial statements provides more detailed information about other benefits received by the executive directors.

E. Holding shares

Following a proposal submitted by the remuneration committee, in 2016 the board of directors approved a share holding policy aimed at strengthening the alignment of executive directors with shareholders' long-term interests.

According to this policy, each executive director active on 1 January 2016 would have five years in which to demonstrate that their personal assets include an investment in the Bank's shares equivalent to twice the net tax amount of their gross annual salary at the same date.

The shareholding policy also reflects the executive directors' commitment to maintaining a significant personal investment in the Bank's shares while they are actively performing their duties within the Group.

F. Remuneration of board members as representatives of the Bank

By resolution of the executive committee, all remuneration received by the Bank's directors who represent the Bank on the boards of directors of companies in which it has an interest and which relates to appointments made after 18 March 2002, will accrue to the Group. The executive directors of the Bank received no remuneration from this type of representation in 2019 or 2018.

On the other hand, Mr. Alvaro Cardoso de Souza, as non-executive Chairman of Banco Santander (Brasil) S.A., received in 2019 a remuneration of 1.752 thousand Brazilian reales (397 thousand euros), and Mr. Rodrigo Echenique, received a remuneration of 666 thousand euros for his role as Chairman of the board of the Santander Spain business unit for the period from 1 May 2019 to 31 December 2019.

G. Individual remuneration of directors for all items in 2019

The detail, by Bank director, of salary remuneration payable in the short term (or immediately) and of deferred remuneration not linked to long-term goals for 2019 and 2018 is provided below. The [Note 5](#) to the Group consolidated financial statements contains disclosures on the shares delivered in 2019 by virtue of the deferred remuneration schemes in place in previous years, the conditions for delivery of which were met in the related years.

Directors	EUR thousand									
	2019									2018
	Bylaw-stipulated emoluments		Salary remuneration of executive directors							Total
Board and board committees annual allotment	Board and committee attendance fees	Fixed	Immediate payment (50% in shares)	Deferred payment (50% in shares)	Total	Pension contribution	Other remuneration ^H	Total		
Ms Ana Botín-Sanz de Sautuola y O'Shea	275	59	3,176	2,605	1,563	7,344	1,145	1,131	9,954	10,483
Mr José Antonio Álvarez Álvarez	260	53	2,541	1,741	1,044	5,326	858	1,773	8,270	8,645
Mr Bruce Carnegie-Brown	613	87	0	0	0	0	0	0	700	732
Mr Rodrigo Echenique Gordillo (A)	163	56	600	800	480	1,880	0	2,775	4,874	4,830
Mr Guillermo de la Dehesa Romero	310	89	0	0	0	0	0	0	399	441
Ms Homaira Akbari	145	81	0	0	0	0	0	0	226	199
Mr Ignacio Benjumea Cabeza de Vaca	340	93	0	0	0	0	0	91	524	513
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea (B)	90	47	0	0	0	0	0	0	137	121
Ms Sol Daurella Comadrán	155	85	0	0	0	0	0	0	240	215
Ms Esther Giménez-Salinas i Colomer	149	79	0	0	0	0	0	0	228	196
Ms Belén Romana García	425	100	0	0	0	0	0	0	525	414
Mr Ramiro Mato García-Ansorena	405	95	0	0	0	0	0	0	500	450
Mr Álvaro Cardoso de Souza (C)	215	61	0	0	0	0	0	0	276	148
Mr Henrique Manuel Drummond Borges Cirne de Castro (D)	53	33	0	0	0	0	0	0	86	0
Mrs Pamela Ann Walkden (E)	23	11	0	0	0	0	0	0	34	0
Mr Carlos Fernández González (F)	149	65	0	0	0	0	0	0	214	266
Mr Juan Miguel Villar Mir (G)	0	0	0	0	0	0	0	0	0	108
Total 2019	3,770	1,094	6,317	5,146	3,087	14,550	2,003	5,770	27,187	0
Total 2018	3,744	872	7,517	6,508	3,904	17,929	2,284	2,932	0	27,761

A. Ceased to be an executive director on 30 April 2019. Non-executive director since 1 May 2019.

B. All amounts received were reimbursed to Fundación Botín.

C. Director since 23 March 2018.

D. Director since 17 July 2019.

E. Director since 29 October 2019.

F. Ceased to be a director on 28 October 2019.

G. Ceased to be a director on 1 January 2019.

H. Includes committee chairmanship and other role emoluments.

In addition, the following table provides the individual detail of the salary remuneration of executive directors linked to multi-year targets, which will only be paid if the conditions of continued service at the Group, non-applicability of the malus clauses and compliance with the defined multi-year targets are fulfilled (or, as applicable, of the minimum thresholds of these, with the consequent reduction of the agreed amount at the end of the year).

	EUR thousand	
	2019 (50% in shares)	2018 (50% in shares)
Ms Ana Botín-Sanz de Sautuola y O'Shea	1,641	1,864
Mr José Antonio Álvarez Álvarez	1,097	1,246
Mr Rodrigo Echenique Gordillo	504	990
Total	3,242	4,100

- A. Fair value of the maximum amount receivable over a total of 3 years (2023, 2024 and 2025), which was estimated at the plan award date, taking into account various possible scenarios for the different variables contained in the plan during the measurement periods.
- B. Ceased to be an executive director on 30 April 2019. non-executive director since 1 May 2019.

H. Ratio of variable to fixed components of remuneration in 2019

Shareholders at the general shareholders' meeting of 23 March 2018 approved a maximum ratio between variable and fixed components of executive directors' remuneration of 200%.

The following table shows the percentage of the variable components of total remuneration compared to the fixed components for each executive director in 2019. As a result of the 12% reduction in Ms. Ana Botín's and Mr. José Antonio Álvarez's variable remuneration from 2018 detailed in B.iii above, this ratio has been reduced from 2018 in 15%, in the case of Ms. Ana Botín, and in 9% in the case of Mr. José Antonio Álvarez.

Executive directors	Variable Components / fixed components (%)
Ms Ana Botín-Sanz de Sautuola y O'Shea	130%
Mr José Antonio Álvarez Álvarez	90%
Mr Rodrigo Echenique Gordillo	112%

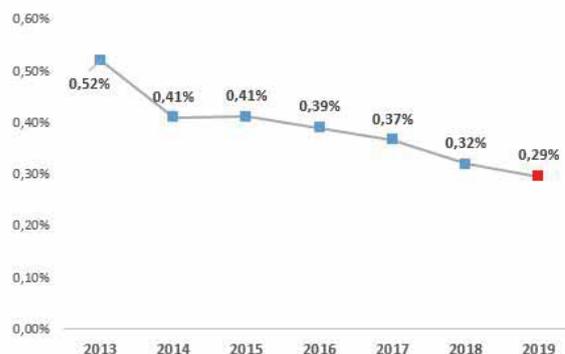
For these purposes:

- The variable components of remuneration include all items of this nature, including the portion of contributions to the benefits system that are calculated on the variable remuneration of the related director.
- The fixed components of remuneration include the other items of remuneration that each director receives for the performance of executive duties, including contributions to the benefits systems calculated on the basis of fixed remuneration and other benefits, as well as all bylaw-stipulated emoluments that the director in question is entitled to receive in his or her capacity as such.

I. Summary of remuneration of executive directors and underlying attributable profit

The following chart shows an overview of the compensation (short-term remuneration, deferred variable remuneration and/or deferred variable remuneration linked to multi-year targets) of the directors performing executive duties as compared with underlying attributable profit.

Executive directors' total remuneration as % of underlying attributable profit



The variable remuneration received by the executive directors is also shown below as a percentage of the cash dividends paid.

Variable remuneration for all executives directors as % of cash dividends



J. Summary of link between risk, performance and reward

Banco Santander's remuneration policy and its implementation in 2019 promote sound and effective risk management while supporting business objectives. The key elements of the remuneration policy for executive directors making for alignment between risk, performance and reward in 2019 were as follows:

Key words	Risk, performance and reward alignment element
Metrics balance	The balance of quantitative metrics and qualitative assessment, including customer, risk, capital and risk related profitability, used to determine the executive directors' variable remuneration.
Financial thresholds	The adjustment to variable remuneration if certain financial thresholds are not reached, which may limit the variable remuneration to 50% of the previous year's amount or lead to it not being awarded at all.
Long-term objectives	The long-term objectives linked to the last three portions of the deferred variable remuneration. These objectives are directly associated with return to shareholders relative to a peer group, earnings per share and maintaining a sound capital base.
Individual performance	The discretion of the board to consider the performance of each executive director in the award of their individual variable remuneration.
Variable remuneration cap	200% of fixed remuneration.
Control functions involvement	The work undertaken by the human resources committee aided by members of senior management leading control functions in relation to the analysis of quantitative metrics information and undertaking qualitative analysis.
Malus and clawback	Malus can be applied to unvested deferred awards and clawback can be applied to vested or paid awards under the conditions and in situations set out in the Group's remuneration policy.
Payment in shares	At least 50% of variable remuneration is paid in shares subject to a one-year retention period after delivery.

6.4 Directors remuneration policy for 2020, 2021 and 2022 that is submitted to a binding vote of the shareholders

Principles of the remuneration policy and remuneration system

A. Remuneration of directors in their capacity as such

The director remuneration system is regulated by article 58 of the Bylaws of Banco Santander and article 33 of the rules and regulations of the board. No changes in the principles or composition of the remuneration of directors for the performance of supervisory and collective decision-making duties are planned in 2020, 2021 and 2022 with respect to those in 2019. They are set forth in sections 6.1 and 6.2.

B. Remuneration of executive directors

For the performance of executive duties, executive directors shall be entitled to receive remuneration (including, if applicable, salaries, incentives, bonuses, possible severance payments for early termination from such duties, and amounts to be paid by the Bank for insurance premiums or contributions to savings schemes) which, following a proposal from the remuneration committee and by resolution of the board of directors, is deemed to be appropriate, subject to the limits of applicable law. No changes in the principles of the remuneration of executive directors for the performance of executive duties are planned in 2020, 2021 and 2022. They are set forth in sections 6.1 and 6.3.

Banco Santander performs an annual comparative review of the total compensation of executive directors and other senior executives above. The 'peer group' will comprise in 2020 the following entities: BBVA, BNP Paribas, Citi, Credit Agricole, HSBC, ING, Itaú, Scotia Bank and Unicredit.

Remuneration of directors for 2020

A. Remuneration of directors in their capacity as such

In 2020, the directors, in their capacity as such, shall continue to receive remuneration for the performance of supervisory and collective decision-making duties for a collective amount of up to 6 million euros as authorised by the shareholders at the 2019 annual general shareholders' meeting (and again subject to approval by the shareholders at the 2020 general shareholders' meeting), with two components:

- Annual allocation; and
- Attendance fees.

The specific amount payable for the above-mentioned items to each of the directors and the form of payment thereof shall be determined by the board of directors under the terms set forth in section 6.2 above, bearing in mind the specific circumstances of each case.

In addition, as stated in the description of the director remuneration system, the Bank will pay in 2020 the premium for the civil liability insurance for its directors, obtained upon customary market terms and proportional to the circumstances of the Bank.

B. Remuneration of directors for the performance of executive duties

i) Fixed components of remuneration

A) Gross annual salary

At the proposal of the committee, the board resolved that Ms Ana Botín and Mr José Antonio Álvarez would maintain their same gross annual salaries in 2020 as in 2019.

In any event, their gross annual salary may be increased as a consequence of a change in the mix of fixed components of remuneration, based on the criteria approved at any given time by the remuneration committee, provided that modification does not entail an increase in costs for the Bank.

B) Other fixed components of remuneration

- Benefits systems: defined contribution plans⁸ as set out in section 'Pre-retirement and benefit plans'.
- Fixed salary supplement: Ms Ana Botín will receive a fixed salary supplement approved in 2018 when the death and disability supplementary benefits systems was eliminated for an amount of 525 thousand euros in 2020 and Mr José Antonio Álvarez will receive 710 thousand euros in the same year.
- Social welfare benefits: executive directors will also receive certain social welfare benefits such as life insurance premiums, medical insurance and, if applicable, the allocation of remuneration for employee loans, in accordance with the customary policy established by the Bank for senior management and in identical terms as the rest of employees. Additional information is included in the 'Pre-retirement and benefit plans' section.

ii) Variable components of remuneration

The variable remuneration policy for executive directors for 2020, which was approved by the board at the proposal of the remuneration committee, is based on the principles of the remuneration policy described in section 6.3.

The variable remuneration of executive directors consists of a single incentive scheme⁹, linked to the achievement of short-and long-term goals, structured as follows:

- The final amount of the variable remuneration shall be determined at the start of the following year (2021) based on the benchmark amount and subject to compliance with the annual objectives described in section B) below.
- 40% of the incentive shall be paid immediately once the final amount has been determined and the remaining 60% shall be deferred in equal parts over five years, and subject to long term metrics, as follows:
 - The payment of the amount deferred over the first two years (24% of the total), payable in the two following years, 2022 and 2023, shall be conditional on none of the malus clauses described in section 6.3 B vi) above being triggered.
 - The amount deferred over the next three years (36% of the total), payable in 2024, 2025 and 2026, shall be conditional not only on the malus clauses not being triggered but also on the executive achieving the long-term objectives described in section the D) below (deferred incentive subject to long-term performance objectives).

Similarly, the incentives already paid will be subject to clawback by the Bank in the scenarios and for the period set forth in the Group's malus and clawback policy, to which section 6.3 B vi) above refers.

Exceptionally, in the case of the hiring of a new director with an executive role in Banco Santander, the variable remuneration may include sign-on bonus and/or buyouts.

The variable components of the executive directors' total remuneration for 2020 must not exceed the limit of 200% of the fixed components which is submitted for approval by the 2020 general shareholders meeting. Although the European regulation on remuneration allows certain variable components of an exceptional nature to be excluded.

A) Benchmark incentive

Variable remuneration for executive directors in 2020 shall be determined based on a standard benchmark incentive conditional upon compliance with 100% of the established targets. The board of directors, at the proposal of the remuneration committee and based on market and internal contribution criteria, may review the benchmark variable remuneration.

B) Setting the final incentive based on results for the year

Based on the aforementioned benchmark standard, the 2020 variable remuneration for executive directors shall be set on the basis of the following key factors:

- A group of short-term quantitative metrics measured against annual objectives.
- A qualitative assessment which cannot adjust the quantitative result by more than 25% upwards or downwards.
- An exceptional adjustment that must be supported by substantiated evidence and that may involve changes prompted by deficiencies in control and/or risks, negative assessments from supervisors or unexpected material events.

⁸ As stated in the section below, contributions to the benefits systems for the executive directors include both fixed components and variable components.

⁹ In addition, and as stated in section below, contributions to the benefits systems for the executive directors include both fixed components and variable components, which become part of the total variable remuneration.

The detailed quantitative metrics, qualitative assessment factors and weightings are indicated in the following scorecard:

Category and weighting	Quantitative metrics	Qualitative assessment
Customers (20%)	NPS/CSI ^A Number of loyal customers	Effective compliance with the objectives of the rules on risk conduct in respect of customers.
Risks (10%)	Non-performing loans ratio Cost of credit ratio (IFRS 9)	Appropriate management of risk appetite and excesses recognised. Adequate management of operational risk.
Capital (20%)	Capital ratio (CET1) ^B	Efficient capital management.
Return (50%)	Ordinary net profit (ONP) ^C (20%) RoTE: return on tangible equity ^B (30%)	Suitability of business growth compared to the previous year, considering the market environment and competitors. Sustainability and solidity of results. Progress against the 11 public commitments for responsible banking included in the 2019 Highlights section of the responsible banking report . Efficient cost management and achievement of efficiency goals.

Shareholders (80%)

- A. Net promoter score / customer satisfaction index.
B. For this purpose, the capital ratio (CET1) and the RoTE will be adjusted upwards or downwards to reflect the adjustments made to the ONP pursuant to note C.
C. For this purpose, ONP is attributed ordinary net profit, adjusted upwards or downwards for those transactions that, in the opinion of the board, have an impact outside of the performance of the directors being evaluated, whereby extraordinary profit, corporate transactions, special allowances, or accounting or legal adjustments that may occur during the year are evaluated for this purpose.

Lastly, and as additional conditions, in determining the incentive, verification is required on whether or not the following circumstances have occurred:

- If the Group's ONP for 2019 is less than 50% of the ONP for 2018, the incentive would in no case exceed 50% of the benchmark incentive for 2019.
- If the Group's ONP is negative, the incentive would be zero.

When determining individual bonuses, the board will also take into account whether any restrictions to the dividend policy have been imposed by supervisory authorities.

C) Form of payment of the incentive

Variable remuneration is paid 50% in cash and 50% in shares, one portion in 2021 and the deferred portion over five years and subject to long-term metrics, as follows:

- 40% of the incentive is paid in 2021 net of taxes, half in cash and half in shares.
- 60% is paid, if applicable, in five equal parts in 2022, 2023, 2024, 2025 and 2026, net of taxes, half in cash and half in shares, subject to the conditions stipulated in section E) below.

The last three payments shall also be conditional upon the long-term objectives described in section D) below.

The portion paid in shares may not be sold until one year has elapsed from delivery thereof.

D) Deferred variable remuneration subject to long-term objectives

As indicated above, the amounts deferred in 2024, 2025 and 2026 shall be conditional upon, in addition to the terms described in section E) below, compliance with the Group's long-term objectives for 2020-2022. The long-term metrics are as follows:

- Compliance with the consolidated EPS growth target of Banco Santander in 2022 vs. 2019. The **EPS ratio** relating to this target is obtained as shown in the table below:

EPS growth in 2022 (% vs. 2019)	'EPS Ratio'
≥ 15%	1.5
≥ 10% but < 15%	1 – 1.5 ^A
≥ 5% but < 10%	0 – 1 ^A
< 5%	0

- Straight-line increase in the EPS ratio based on the specific percentage that EPS growth in 2022 represents with respect to 2019 EPS within this bracket of the scale. In addition, total or partial compliance of this objective requires that EPS growth in 2020 and 2021 is higher than 0%.
- Relative performance of the Bank's total shareholder return (TSR) in 2020-2022 compared to the weighted TSR of a peer group comprising 9 credit institutions, applying the appropriate TSR ratio according to the Bank's TSR within the peer group.

Ranking of Santander TSR	'TRS Ratio'
Above percentile 66	1
Between percentiles 33 and 66 (both inclusive)	0 – 1 ^A
Below percentile 33	0

- Proportional increase in the TSR ratio based on the number of positions moved up in the ranking.

TSR¹⁰ measures the return on investment for shareholders as a sum of the change in share price plus dividends and other similar items (including the Santander Scrip Dividend

¹⁰ TSR is the difference (expressed as a percentage) between the end value of an investment in ordinary shares of Banco Santander and the initial value of the same investment, factoring in to the calculation of the final value the dividends or other similar instruments (such as the Santander Scrip Dividend Programme) received by the shareholder in relation to this investment during the corresponding period of time as if an investment had been made in more shares of the same type at the first date on which the dividend or similar concept was payable to shareholders and the weighted average share price at that date. To calculate TSR, the average weighted daily volume of the average weighted listing prices for the fifteen trading sessions prior to 1 January 2020 (exclusive) is taken into consideration (to calculate the initial value) and that of the fifteen trading sessions prior to 1 January 2023 (exclusive) (to calculate the final value).

programme) that shareholders may receive during the period in question.

The peer group comprises the following entities: BBVA, BNP Paribas, Citi, Credit Agricole, HSBC, ING, Itaú, Scotiabank y Unicredit.

- (c) Compliance with the Santander Group's consolidated fully loaded target common equity tier 1 ratio (CET1) for 2022. The **CET1 ratio** relating to this target is obtained as described below:

CET1 in 2022	CET1 ratio
≥ 12%	1
≥ 11% but < 12%	0 - 1 ^A
< 11%	0

A. Linear increase in the CET1 ratio based on the CET1 ratio for 2022 within this range of the scale.

To verify compliance with this objective, possible increases in CET1 resulting from capital increases shall be disregarded (with the exception of those related to the Santander Scrip Dividend programme). Furthermore, the CET1 ratio at 31 December 2022 could be adjusted to strip out the impact of any regulatory changes implemented until that date which affect its calculation.

To determine the annual amount of the deferred variable remuneration tied to corresponding performance, if applicable, to each executive director in 2024, 2025 and 2026, the following formula shall be applied to each of these payments ('Final annuity') without prejudice to any adjustment derived from the application of the malus policy described in section 6.3 B vi) above:

$$\text{Final annuity} = \text{Amt.} \times (1/3 \times A + 1/3 \times B + 1/3 \times C)$$

where:

- 'Amt.' is one third of the variable remuneration amount deferred conditional on performance (i.e., Amt. will be 12% of the total incentive set in early 2020).
- 'A' is the EPS ratio according to the scale in section (a) above, based on EPS growth in 2022 vs. 2019.
- 'B' is the TSR ratio according to the scale in section (b) above, according to the relative performance of the TSR within its peer group in 2020-2022.
- 'C' is the CET1 ratio according to compliance with the CET1 target for 2021 described in section (c) above.
- Assuming in any event that if the result of $(1/3 \times A + 1/3 \times B + 1/3 \times C)$ is greater than 1, the multiplier will be 1.

The estimated maximum amount to be delivered in shares to executive directors is 11.5 million euros.

E) Other terms of the incentive

Accrual of the deferred amounts, including amounts linked to long-term objectives, shall also be conditional upon the beneficiary's continued service in the Group and upon none of the circumstances arising that give rise to the application of malus arrangements in accordance with the section on malus and clawback clauses in the Group's remuneration policy, all under terms similar to those indicated for 2019. Similarly, the incentives already paid will be subject to clawback by the Bank in the scenarios and for the period set

forth in said policy, all under the terms and conditions provided.

The hedging of Santander shares received during the retention and deferral periods is expressly prohibited.

The effect of inflation on the deferred amounts in cash may be offset.

The sale of shares is also prohibited for at least one year from the receipt thereof.

The remuneration committee may propose to the board adjustments in variable remuneration under exceptional circumstances due to internal or external factors, such as regulatory requirements or requests or recommendations issued by regulatory or supervisory bodies. These adjustments shall be described in detail in the corresponding report of the remuneration committee and in the annual report on director's remuneration submitted each year to an advisory vote of the shareholders at the general shareholders' meeting.

iii) Holding shares

No changes in the holding shares policy are planned with respect to the terms in place for 2019 and set out in section 6.3 E.

Remuneration of directors for 2021 and 2022

A. Remuneration of directors in their capacity as such

No changes to the remuneration of directors in their capacity as such for 2021 and 2022 with respect to the remuneration described for 2020 are expected, without prejudice to the fact that shareholders at the 2021 or 2022 annual general meeting may approve an amount higher than the six million euros currently in force, or that the board may determine, within such limit, a different distribution thereof among directors.

B. Remuneration of directors for the performance of executive duties

Remuneration of executive directors shall conform to principles similar to those applied in 2020, with the differences described below.

i) Fixed components of remuneration

A) Gross annual salary

The annual gross fixed remuneration may be revised each year based on the criteria approved at any given time by the remuneration committee, whereby the maximum increase for 2021 and 2022 for each executive director may not exceed 5% of their annual gross salary for the previous year. In any event, the gross annual salary may be increased as a consequence of a change in the mix of fixed components of remuneration, provided that modification does not entail an increase in costs for the Bank.

The 5% increase mentioned above may be higher for one or several directors provided that, when applying the rules or requirements or supervisory recommendations that may be applicable, and if so proposed by the remuneration committee, it is appropriate to adjust their remuneration mix and, in particular, their variable remuneration in view of the functions they perform.

Any such increase/s should not lead to an increase in the total remuneration of these directors.

If this were to occur, it shall be described in detail in the corresponding report of the remuneration committee and in the annual report on director's remuneration submitted each year to an advisory vote at the general shareholders' meeting.

B) Other fixed components of remuneration

No changes planned with respect to the terms in place for 2020.

ii) Variable components of remuneration

The policy on variable remuneration for executive directors for 2021 and 2022 will be based on much the same principles as in 2020, following the same single-incentive scheme described above, and subject to the same rules of operation and limitations.

A) Setting the variable remuneration

Variable remuneration for 2021 and 2022 for executive directors shall be determined based on a benchmark incentive approved for each year which takes into account:

- A group of short-term quantitative metrics measured against annual objectives. These metrics shall be aligned with the Group strategic plan and include, at least, shareholder return targets, risk objectives, capital and customers. The metrics may be measured at Group level, and where applicable, at division level if the executive director is responsible for managing a specific business division. The results of each metric may be compared to both the budget established for the financial year as well as to growth compared to the prior year.
- A qualitative assessment which cannot adjust the quantitative result by more than 25% upwards or downwards. The qualitative assessment shall be performed on the same categories as the quantitative metrics, including shareholder returns, risk and capital management and customers.
- Potential exceptional adjustments that must be based on substantiated evidence and that may involve changes prompted by deficiencies in control and/or risks, negative assessments from supervisors or unexpected material events.

The quantitative metrics, qualitative assessment and potential extraordinary adjustments will ensure that the main objectives are considered from the perspective of different stakeholders, and that the importance of risk and capital management is factored in.

Lastly, in determining the incentive, verification is required as to whether or not the following circumstances have occurred:

- If the quantitative metrics linked to profit do not reach a certain compliance threshold, the incentive may not be greater than 50% of the benchmark incentive for a given year.
- If the results of the metrics linked to profit are negative, the incentive shall be zero.

- When determining individual bonuses, the board will also take into account whether any restrictions to the dividends policy have been imposed by supervisory authorities.

B) Form of payment of the incentive

No changes in the form of payment are planned with respect to the terms in place for 2020.

C) Deferred variable remuneration subject to long-term objectives

The last three annual payments of the deferred amount of each variable remuneration shall be conditional upon, in addition to the terms described in section E) above, compliance with the Group's long-term objectives for at least a three-year period, compliance with which may only confirm or reduce the amounts and number of deferred shares.

Long-term metrics shall at least include objectives relating to value creation and return for shareholders and capital in a multi-year period of at least three years. These metrics shall be aligned with the Group's strategic plan and reflect its main priorities from its stakeholders' perspective.

These metrics may be measured at the level of the Group or of the country or business, when appropriate, and the performance thereof may be compared against a peer group.

The portion paid in shares of the incentives may not be sold until at least one year has elapsed from delivery thereof.

D) Other terms of the incentive

No changes in form of payment are planned with respect to the continuity, malus and clawback terms in place for 2020 and that are described in section E) of the remuneration policy for 2020.

In addition, no changes are planned to the hedging prohibition or the inflation-related adjustments on cash deferred amounts terms set out in the same section.

iii) Holding shares

The share holding policy approved in 2016 shall apply in 2021 and 2022, unless the remuneration committee, under exceptional circumstances such as regulatory requirements or requests or recommendations issued by regulatory or supervisory bodies, were to propose amendments to this policy to the board. Any potential amendments would be described in detail in the corresponding remuneration committee report and in the annual report on director's remuneration submitted each year to an advisory vote at the general shareholders' meeting.

Terms and conditions of executive directors' contracts

The terms for the provision of services by each of the executive directors are governed by the contracts signed by each of them with the Bank, as approved by the board of directors.

The basic terms and conditions of the contracts of the executive directors, besides those relating to the remuneration mentioned above, are the following:

A. Exclusivity and non-competition

Executive directors may not enter into contracts to provide services to other companies or entities except where expressly authorised by the board of directors. In all cases, a duty of non-competition is established with respect to companies and activities similar in nature to those of the Bank and its consolidated Group.

In addition, executive director contracts provide for certain prohibitions against competition and enticing of clients, employees and suppliers that may be enforced for two years after the termination in their executive duties for reasons other than retirement or a breach by the Bank. The compensation to be paid by the Bank for this duty of non-competition is 80% of the fixed remuneration, 40% payable on termination of the contract and 60% at the end of the two-year period for Ms Ana Botín and Mr José Antonio Álvarez.

B. Code of Conduct

There is an obligation to strictly observe the provisions of the Group's General Code and of the code of conduct in securities markets, in particular with respect to rules of confidentiality, professional ethics and conflicts of interest.

C. Termination

The executive directors' contracts are of indefinite duration and do not provide for any severance payment in the case of termination other than as may be required by law.

In the event of termination of her contract by the Bank, Ms Ana Botín must remain available to the Bank for a period of four months to ensure a proper transition, during which period she would continue to receive her gross annual salary.

D. Pre-retirement and benefit plans

The contracts of the following executive directors acknowledge their right to pre-retire under the terms stated below when they have not yet reached retirement age:

- Ms Ana Botín will be entitled to pre-retirement in the event of leaving her post for reasons other than breach of duty. In this case, she will be entitled to an annual allotment equal to the sum of her fixed remuneration and 30% of the average amount of her last variable remuneration, to a maximum of three. This allotment shall be reduced by 8% in the event of voluntary termination prior to the age of 60. This allotment is subject to the malus and clawback provisions in place for a period of five years.
- Mr José Antonio Álvarez will be entitled to pre-retire in the event of leaving his post for reasons other than his own free will or breach of duty. In that case, he will be entitled to an annual allocation equivalent to the fixed remuneration corresponding to him as senior executive vice-president. This allotment is subject to the malus and clawback provisions in place for a period of five years.

The executive directors participate in the defined contribution system created in 2012, which covers the contingencies of retirement, disability and death. The Bank makes annual contributions to the benefit plans of the executive directors who participate in the benefit system. The annual contributions are calculated in proportion to the

respective pensionable bases of the executive directors, and shall continue to be made until they leave the Group or until their retirement within the Group, or their death or disability (including, if applicable, during pre-retirement). The pensionable base for the purposes of the annual contributions for the executive directors is the sum of fixed remuneration plus 30% of the average of their last three variable remuneration amounts (or, in the event of Mr José Antonio Álvarez's pre-retirement, his fixed remuneration as a senior executive vice president). The contributions will be 22% of the pensionable bases in all cases.

The pension amount corresponding to contributions linked to variable remuneration will be invested in Santander shares for a period of five years on the retirement date or, if earlier, the cessation date, and shall be paid in cash after five years have elapsed or, if subsequent, on the retirement date. Moreover, the malus and clawback clauses corresponding to contributions linked to variable remuneration shall be applied for the same period as the bonus or incentive upon which said contributions depend.

The benefit plan is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A., and the economic rights of the foregoing directors under this plan belong to them regardless of whether or not they are active at the Bank at the time of their retirement, death or disability. The contracts of these directors do not provide for any severance payment in the case of termination other than as may be required by law, and, in the case of pre-retirement, the aforementioned annual allotment.

E. Insurance and other remuneration and benefits in kind

Ms Ana Botín and Mr José Antonio Álvarez will receive the fixed remuneration supplement approved as a result of the elimination of the life and health supplementary benefits in 2018. This supplement will be paid in 2020, 2021 and 2022 in the same amount as in 2019 and will continue to be paid until their retirement age, even if the director is then still active.

The Group has arranged life and health insurance policies for the directors.

The premiums for 2020 corresponding to this insurance include the standard life insurance and the life insurance coverage for the aforementioned fixed remuneration supplement. In 2021 and 2022, these premiums could vary in the event of a change in the fixed remuneration of directors or in their actuarial circumstances.

Similarly, executive directors are covered by the Bank's civil liability insurance policy.

Finally, executive directors may receive other benefits in kind (such as employee loans) in accordance with the Bank's general policy and the corresponding tax treatment.

F. Confidentiality and return of documents

A strict duty of confidentiality is established during the relationship and following termination, pursuant to which executive directors must return to the Bank any documents and items related to their activities that are in their possession.

G. Other terms and conditions

The advance notice periods contained in the contracts with the executive directors are as follows:

	By decision of the Bank (months)	By decision of the director (months)
Ms Ana Botin-Sanz de Sautuola y O'Shea	—	4
Mr José Antonio Álvarez Álvarez	—	—

Payment clauses in place of pre-notice periods are not contemplated.

Appointment of new executive directors

The components of remuneration and basic structure of the agreements described in this remunerations policy will apply to any new director that is given executive functions at Banco Santander, notwithstanding the possibility of amending specific terms of agreements so that, overall, they contain conditions similar to those previously described.

In particular, the total remuneration of the director for performing executive duties may not be greater than the highest remuneration received by the current executive directors of the Bank pursuant to the remuneration policy approved by the shareholders. The same rules shall apply if a director assumes new duties that said director did not previously discharge or becomes an executive director.

If executive responsibilities are assumed with respect to a specific division or country, the board of directors, at the proposal of the remuneration committee, may adapt the metrics used for the establishment and accrual of the incentive in order to take into account not just the Group but also the respective division or country.

Remuneration paid to directors in that capacity shall be included within the maximum distributable amount set by the shareholders and be distributed by the board of directors as described above.

Additionally, if the new director comes from an entity that is not part of the Santander Group, they could be the beneficiary of a buyout to offset the loss of variable remuneration corresponding to their prior post if they have not accepted a contract with the Group or of a sign-on bonus to attract them to join Banco Santander.

This compensation could be paid fully or partly in shares, subject to the delivery limits approved at the general shareholders' meeting. Therefore, authorisation is expected to be sought at the next general shareholders' meeting to deliver a specified maximum number of shares as part of any hires of executive directors or other employees to which the buyout regulation applies.

In addition, sign-on bonuses can only be paid once to new executive directors, in cash or in shares, and in each case they will not exceed the sum of the maximum variable remuneration awarded for all executive directors the preceding year.

6.5 Preparatory work and decision-making process with a description of the participation of the remuneration committee

Section 4.7 '[Remuneration committee activities for 2019](#)', which constitutes the remunerations committee's report, details the following:

- Pursuant to the Bylaws and the Rules and regulations of the board of the Bank, the duties relating to the remuneration of directors performed by the remuneration committee.
- The composition of the remuneration committee as at the date of approving this report.
- The number of meetings with the risk supervision, regulation and compliance committee held in 2019, including those held jointly with the risk, compliance and regulation supervision committee.
- The date of the meeting when this report was approved.
- The 2018 annual report on directors' remuneration was approved by the board of directors and submitted to a binding vote at the general shareholders' meeting of 12 April 2019, with 91.07% of the votes in favour. The detail of vote was as follows:

	Number	% of total ^A
Votes cast	10,740,924,312	96,57%
	Number	% of total ^A
Votes against	598,890,812	5.38%
Votes in favour	10,130,003,843	91.07%
Abstentions	381,915,614	3.43%

A. Percentage on total valid votes and abstentions.

6.6 Remuneration of non-director members of senior management

At its meeting of 27 January 2020, the remuneration committee agreed to propose to the board of directors the approval of the variable remuneration for 2019 of members of senior management who are not directors. The committee's proposal was approved by the board at its meeting of 28 January 2020.

The Bank's general remuneration policy was applied in order to determine this variable remuneration, as well as the specificities corresponding to senior management. In general, their variable remuneration packages were calculated on the same balance of quantitative metrics and qualitative assessment used for executive directors described in section 6.3 B ii).

The contracts of some of the senior management were modified in 2018 with the same purpose and with the same amendments indicated in 6.3C and D in relation to Ms. Ana Botin and Mr. José Antonio Alvarez, so that the system

includes contributions at 22% of the respective pensionable base, supplementary benefits scheme were eliminated from 1 April 2018, the sum insured in the life accident insurance was increased and a fixed remuneration supplement in cash reflected in "Other remuneration" was set.

The table below shows the amounts of short-term remuneration (immediately payable) and deferred remuneration (excluding that linked to multi-year targets) for members of senior management as at 31 December 2019 and 2018, excluding remuneration corresponding to the executive directors shown previously:

EUR thousand							
Year	Number of people	Short-term and deferred salary remuneration			Pension contributions	Other remuneration ^c	Total ^p
		Fixed	Immediately receivable variable remuneration (50% in shares) ^a	Deferred variable remuneration (50% in shares) ^b			
2019	18	22,904	15,337	6,673	6,282	7,491	58,687
2018	18	22,475	16,748	7,582	6,193	7,263	60,261

A. The amount of immediate payment in shares for 2019 was 2,091 thousand Santander shares (1,936 thousand Santander shares in 2017).

B. The amount of deferred shares for 2019 was 910 thousand Santander shares.

C. Includes other items of remuneration such as life insurance premiums, health insurance and relocation packages.

The following table shows a breakdown of the salary remuneration linked to multi-year targets for members of senior management at 31 December 2019 and 2018. This remuneration will only be received if the terms of continued service, non-applicability of malus clauses, and compliance with long-term goals are met in the corresponding deferral periods.

Thousands of euros		
Year	Number of people	Deferred variable remuneration subject to long-term metrics ^a (50% in shares) ^b
2019	18	7,007
2018	18	7,962

A. In 2019, this corresponds to the fair value of the maximum annual payments for 2023, 2024 and 2025 of the fourth cycle of the deferred variable remuneration plan linked to multi-year targets. In 2018, this corresponds to the estimated fair value of the maximum annual payments for 2022, 2023 and 2024 of the third cycle of the deferred variable remuneration plan linked to multi-year targets. The fair value has been determined at the grant date based on the valuation report of an independent expert, Willis Towers Watson. Depending on the design of the plan for 2019 and the levels of achievement of similar plans in comparable entities, the expert concluded that the reasonable range for estimating the initial achievement ratio is around 60% - 80%. It has been determined that the fair value is 70% of the maximum.

B. The amount of shares of the deferred variable remuneration subject to long-term metrics shown in the table above is of 955 thousand Santander shares in 2019 (921 thousand Santander shares in 2018).

The long-term goals are the same as those for executive directors. They are described in section 6.3 B iv).

Senior executive vice presidents that ceased to carry out their duties in 2019 and who were not members of senior management at year-end, consolidated salary remuneration and other remuneration relating to the cessation of their duties for a total amount of 6,789 thousand euros during the year (1,861 thousand euros for those leaving their posts in 2018). Such senior managers also have the right to receive variable remuneration subject to long-term objectives for an amount of 922 thousand euros (this right was not generated in respect of any senior manager who ceased to carry out his/her duties during 2018).

In addition, the shareholders meeting of 12 April 2019 approved the 2019 Digital Transformation Incentive, which is a variable compensation system that includes the delivery of Santander shares and share options subject to meeting certain important milestones of the Group's digital roadmap.

Three senior executives are included within this plan, which is aimed at a larger group of up to 250 employees whose performance is considered essential to the growth and digital transformation of Santander Group. The three employees have been awarded a total overall amount of 2,100 thousand euro¹, which will be provided to them in thirds, on the third, fourth and fifth anniversary of the granting date (2023, 2024 and 2025).

See [Note 47](#) to the 2019 Group's consolidated financial statements for further detail on the Digital Transformation Incentive.

In 2019, the ratio between the variable components of remuneration to the fixed components was 98% of the total for senior managers, in all cases respecting the upper limit of 200% set by the shareholders.

See [note 5](#) of the Group's 2019 consolidated financial statements for further details.

¹ The 2,100 thousand euro amount is implemented in 286,104 Santander shares and 1,495,726 options over Santander shares, using for these purposes the fair value of the options at the moment of their grant (0.702 euros).

6.7 Prudentially significant disclosures document

The board of directors is responsible for approving, at the proposal of the remuneration committee, the key elements of the remuneration of managers or employees who, while not belonging to senior management, take on risks, carry out control functions (i.e. internal audit, risk management and compliance) or who receive global remuneration that places them in the same remuneration bracket as senior management and employees who take on risk. These are

typically those whose professional activities may have an important impact on the Group's risk profile (all of these together with the senior management and the Bank's board of directors form the so called identified staff or material risk takers).

Every year, the remuneration committee reviews and, if applicable, updates the composition of the identified staff in order to identify the individuals in the organisation who fall within the aforementioned parameters. The Remuneration Policies chapter of the 2019 Pillar III disclosures report¹¹ of Banco Santander, S.A. describes the criteria used for identifying staff and the applicable regulation for the same purpose.

According to these criteria, at the 2019 year-end, this group comprised 1,359 executives across the Group (including executive directors and non-director senior managers) (1,384 in 2018), accounting for 0.69% of total staff (0.68% in 2018).

The directors that are identified staff other than executive directors are subject to the same remuneration standards applicable to the latter described in sections [6.1](#) and [6.3](#), except for:

- The various deferral percentages and terms that apply based on their category.
- The possibility that in 2019 certain categories of managers do not have the deferred incentive subject to long-term performance metrics, but only to malus and clawback clauses.
- As occurred with the bonuses in previous years, the variable remuneration amount that is paid or deferred in shares to the executives of the Group in Brazil, Chile, Mexico, Poland, and Santander Consumer US, can be delivered in shares or similar instruments of their own listed entities.

In the financial year 2020, the board of directors will maintain its flexibility for agreeing total or partial payment in shares or similar instruments of Banco Santander and/or the respective subsidiary in the proportion it considers appropriate in each case (subject, in any event, to the maximum number of Santander shares to be delivered as agreed by shareholders at the general meeting and any regulatory restrictions applicable in each jurisdiction).

The aggregate amount of the 2019 variable remuneration of identified staff, the amounts deferred in cash and in instruments and the ratio between the variable components of remuneration to the fixed components are detailed in the remuneration policies chapter of the 2019 Pillar III disclosures report mentioned above.

¹¹ The 2019 Pillar III disclosures report is published at our corporate website.

7. Group structure and internal governance

The structure of the Santander Group is a model of legally independent subsidiaries whose parent is Banco Santander, S.A. The registered address is in the city of Santander (Cantabria, Spain) and the Corporate Centre is in Boadilla del Monte (Madrid, Spain).

The Group has established a Group-Subsidiary Governance Model (GSGM) and good governance practices for its main subsidiaries. Any reference to subsidiaries in this section refers to the Bank's most significant subsidiaries.

The key features of the GSGM are as follows:

- The governing bodies of each subsidiary shall ensure that their company is managed rigorously and prudently, while ensuring their economic solvency and upholding the interests of their shareholders and other stakeholders.
- Management of the subsidiaries is a local matter carried out by local management teams which provide extensive knowledge and experience in relation to local customers and markets, while also benefiting from the synergies and advantages of belonging to the Santander Group.
- The subsidiaries are subject to the regulation and supervision of their respective local authorities, without prejudice to the global supervision of the Group by the ECB.
- Customer funds are secured by virtue of the deposit guarantee funds in place in the relevant country, in accordance to the applicable laws.

Subsidiaries finance themselves autonomously when it comes to both capital and liquidity. The Group's capital and liquidity positions are coordinated by the corporate committees. Intra-group exposure is limited and transparent and any such transactions are invariably arranged under arm's length conditions. Moreover, the Group has listed subsidiaries in certain countries, in which it always retains a controlling stake.

The subsidiaries' autonomy limits the contagion risk between the Group's different units, which reduces systemic risk. Each subsidiary has its own recovery plan.

7.1 Corporate centre

The GSGM of Banco Santander is further complemented with a corporate centre that brings together Group control and support units tasked with functions relating to strategy, risk, auditing, technology, human resources, legal services, communications and marketing, among others. The corporate centre adds value to the Group by:

- Making its governance more robust, through corporate frameworks, models, policies and procedures that allow a

corporate strategy to be implemented and ensure effective supervision of the Group.

- Making the Group's units more efficient by unlocking cost management synergies, economies of scale and achieving a common brand.
- Sharing the best commercial practices, focusing on global connectivity, launching global commercial initiatives and fostering digitalisation throughout the Group.

7.2 Internal governance of the Group

Santander has an internal governance model that establishes a set of principles that regulate relations and the interaction that must exist between the Group and its subsidiaries on three levels:

- On the governing bodies of the subsidiaries, where the Group has devised rules and procedures regulating the structure, composition, make-up and functioning of the boards and their committees (audit, appointments, remuneration and risk), in accordance with international standards and good governance practices. In addition, other rules and regulations concerning the appointment, remuneration and succession planning of members of governing bodies, in full compliance with the regulations and local supervisory criteria, are embedded.
- Between the regional and country heads and the Group's CEO, and between the local and global heads of the key control functions: chief risk officer (CRO); chief compliance officer (CCO); chief audit executive (CAE); chief financial officer (CFO); chief accounting officer (CAO) and key support functions (IT, Operations, HR, General Secretary's office, Legal Services, Marketing, Communications and Strategy) as well as business functions (SCIB, Wealth Management and Digital and Innovation).

The governance model establishes, among other aspects, the relevant rules and regulations to be followed in relation to their appointment, setting of targets, assessment, and fixing of variable remuneration and succession planning. It also explains how Group officers and their counterparts at the subsidiaries should liaise and interact.

Santander also has thematic frameworks (corporate frameworks) for matters considered to be important due to their impact on the Group's risk profile, which include areas including risk, capital, liquidity, compliance, technology, auditing, accounting, finance, strategy, human resources, cybersecurity and communications brand. These frameworks specify:

- The way the Group exercises oversight and control over its subsidiaries.

- The Group's involvement in certain of the subsidiaries' important decisions, as well as the subsidiaries' involvement in the Group's decision-making processes.

The aforementioned governance model and corporate frameworks effectively make up the internal governance system and are approved by the board of directors of Banco Santander, S.A. for subsequent adherence to it by the governing bodies of the subsidiaries, with due regard to any local requirements to which these subsidiaries may be subject. Both the model and the frameworks are maintained up to date on an ongoing basis through the annual review of the Bank's board and the recurring adoption of legislative changes and international best practices. They are subject to annual review by the Group board of directors.

Based on the corporate frameworks, the functions included in the governance model prepare internal regulatory documents that are given to the Group's subsidiaries as reference and development documentation, ensuring that the frameworks are effectively implemented and embedded at a local level, and in full compliance with local law and supervisory expectations. This approach also drives a consistent application throughout the Group.

An Internal Governance office at Group level and the subsidiaries' general secretaries are responsible for promoting the effective embedding of the governance model and corporate frameworks. The extent and completeness of this activity is assessed by the Group on an annual basis with associated reporting to relevant governing bodies.

In 2019, a new policy for the governance of non-GSGM subsidiaries and investees was approved. This policy completes and enhances the governance and control system that has been applied to these companies until now.

8. Internal control over financial reporting (ICFR)

This section describes key aspects of the internal control and risk management systems in place at Santander Group with respect to the financial reporting process, specifically addressing the following aspects:

- Control environment.
- Risk assessment in financial reporting.
- Control activities.
- Information and communication.
- Monitoring.
- External auditor report.

8.1 Control environment

Governance and responsible bodies

The board of directors approves the financial information that, due to its status as a listed company, Banco Santander must periodically make public and is responsible for overseeing and guaranteeing the integrity of the internal information and control systems, as well as the accounting and financial information systems. This includes operational and financial control and compliance with applicable legislation.

The board of directors has set up an audit committee that assists the board in supervising the financial reporting process and internal control systems. See section 4.5 '[Audit committee activities in 2019](#)'.

In addition, the audit committee discusses with the external auditor any significant deficiencies in the internal control system that may be detected in the course of the audit and ensures that the external auditor issues a report regarding the internal control system for financial information.

The existence of an adequate internal control over financial reporting (ICFR), prepared and coordinated by the non-financial risk control area, covers the entire organisational structure with control relevance, through a direct scheme of individually assigned responsibilities. In addition, the financial accounting and management control units in each of the countries in which the Group operates -each led by a financial controller- have an important role in complying with the standard. The section below includes more information on the functions carried out by each organisational structure, the controllers and the non-financial risk control area.

Responsible functions, General Code of Conduct, whistleblowing channel and training

Responsible functions

The Group, through the corporate organisation area and the organisational units for each country/entity or business,

defines, implements and maintains the organisational structures, catalogue of job positions and size of units. Specifically, the corporate organisation function defines a reference management and staff structure, which serves as a manual across the Group.

The business and support areas channel any initiative related to their structure through these organisational units. These units are responsible for analysing, reviewing and, where appropriate, incorporating any structural modifications into the corporate technology tools. The organisational units are responsible for identifying and defining the main functions under the responsibility of each structural unit.

Based on this assignment, each of the business/support areas identify and document the necessary tasks and controls in its area within the Internal Control Model (ICM), based on its knowledge and understanding of its activities, processes and potential risks.

Each unit thus detects the potential risks associated with those processes, which are covered by the ICM. This detection is based on the knowledge and understanding that management has of the business and associated process.

It also has to define those persons responsible for the various controls, tasks and functions of the documented processes, so that all the members of the division have clearly assigned responsibilities.

The purpose of this is to try to ensure, among other things, that the organisational structure provides a solid model of ICFR.

With respect to the specific process of preparing its financial information, the Group has defined clear lines of responsibility and authority. The process entails exhaustive planning, including, among other things, the distribution of tasks and functions, the required timeline and the various reviews to be performed by each manager. To this end, the Group has financial accounting and control units in each of its operating markets; these are headed up by a financial controller whose duties include the following:

- Integrating the corporate policies defined at the Group level into their management, adapting them to local requirements as required.
- Ensuring that organisational structures in place are conducive to performance of the tasks assigned, including a suitable hierarchical-functional structure.
- Deploying critical procedures (control models), leveraging the Group's corporate IT tools to this end.
- Implementing the corporate accounting and management information systems, adapting them to each entity's specific needs as required.

In order to preserve their independence, the controllers report to their country heads and to the Group's Financial Accounting and Control division.

In addition, to support the existence of adequate documentation for the Group's ICM, the corporate non-financial risk control department is responsible for establishing and reporting the methodology governing the process of documenting, evaluating and certifying the internal control model that covers the ICFR system, among other regulatory and legal requirements. It is also responsible for keeping all necessary documentation fully up to date including organizational and regulatory changes. In addition, together with the Financial Accounting and Control division and, if appropriate, the representatives of the divisions and/or companies concerned, it is responsible for presenting the conclusions of the ICM evaluation process to the audit committee. There are similar functions at each unit that report to the corporate non-financial risk control department.

General Code of Conduct

The Group's General Code of Conduct is approved by the Bank's board of directors, setting out behavioural guidelines of ethical principles and rules of conduct that govern the actions of all Santander Group employees and, therefore, constitutes the central pillar of the Group compliance and conduct function. It also establishes guidelines for conduct, among other matters, in relation to accounting obligations and financial information. The Code can be consulted on the corporate website (www.santander.com).

This Code is binding for all members of the Group's governance bodies and all employees of Banco Santander, S.A., who acknowledge so when they join the Group, notwithstanding the fact that some of these individuals are also bound by the Code of Conduct in Securities Markets and other codes of conduct specific to the area or business in which they work.

The Group provides all its employees with e-learning courses on the aforementioned General Code of Conduct. Moreover, the compliance and conduct function is available to address any queries with respect to its application. The General Code of Conduct sets out the functions of the Group's governance bodies, units and areas required to implement the Code, in addition to the compliance function.

The Human Resources function is responsible for imposing disciplinary measures for any breaches of the General Code and proposing corrective actions, which may lead to labour-offence sanctions, notwithstanding any administrative or criminal sanctions that may also result from such a breach. The function is assisted in this regard by a Human Resources Committee comprised of representatives from various parts of the Group.

Whistleblowing channel

Banco Santander has a whistleblowing channel, called 'Canal Abierto', through which employees can report, confidentially and anonymously, any allegedly unlawful acts or breaches of the General Code of Conduct as well as behaviours not aligned with the corporate ones that comes to their knowledge during the course of their professional activities.

In addition, through this whistleblowing channel, employees can confidentially and anonymously report irregularities in accounting or auditing matters, in accordance with SOX. When reports concerning accounting or auditing matters are received, the compliance and conduct function will report them to the audit committee to adopt the appropriate measures.

To preserve the confidentiality of communications prior to their examination by the audit committee, the procedure does not require the inclusion of personal data from the sender. In addition, only certain persons in the compliance and conduct function review the content of the communication in order to determine whether it is related to accounting or auditing matters, and, if applicable, submit it to the audit committee.

Training

Group employees involved in preparing and reviewing its financial information participate in training programmes and regular refresher courses which are specifically designed to provide them with the knowledge required to allow them to discharge their duties properly.

The training and refresher courses are mostly promoted by the Financial Accounting and Control division itself and are designed and overseen together with the corporate learning and career development unit which is, in turn, part of the HR department and is responsible for coordinating and imparting training across the Group.

These training initiatives take the form of a mixture of e-learning and on site sessions, all of which are monitored and overseen by the aforementioned corporate unit in order to guarantee they are duly taken and that the concepts taught have been properly assimilated.

The training and periodic update programmes taught in 2019 have focused, among other subjects, on: risk analysis and management, accounting and financial statement analysis, the business, banking and financial environment, financial management, costs and budgeting, numerical skills, calculations and statistics and financial statement auditing, among other matters directly and indirectly related to the financial information process.

45,061 employees from the Group's entities in the various countries in which it operates were involved in these training programmes, involving over 1,000,000 training hours at the corporate centre in Spain and remotely (e-learning). In addition, each country develops its own training programme based on that developed by the parent.

8.2 Risk assessment in financial reporting

Santander Group's ICM is defined as the process carried out by the board of directors, senior management and the rest of the Group's employees to provide reasonable assurance that their targets will be attained.

The Group's ICM complies with the most stringent international standards and specifically complies with the guidelines established by the Committee of Sponsoring Organisations of the Tradeway Commission (COSO) in its

most recent framework published in 2013, which addresses control targets in terms of operations effectiveness and efficiency, financial information reliability and compliance with applicable rules and regulations.

ICM documentation is implemented in the main Group companies using standard and uniform methodology to ensure inclusion of appropriate controls and covers all material financial information risk factors.

The risk identification process takes into account all classes of risk. Its scope is greater than all of the risks directly related to the preparation of the Group's financial information.

The identification of potential risks that must be covered by the ICM is based on the knowledge and understanding that management have of the business and its operating processes, taking into account criteria associated with the type, complexity or the structure of the business itself.

In addition, the Bank ensures the existence of controls covering the potential risk of error or fraud in the issuance of the financial information, i.e., potential errors in terms of: i) the existence of the assets, liabilities and transactions as at the corresponding date; ii) the fact that the assets are Group goods or rights and the liabilities Group obligations; iii) proper and timely recognition and correct measurement of its assets, liabilities and transactions; and iv) the correct application of the accounting rules and standards and adequate disclosures.

The following aspects of the Group's ICM model are worth highlighting:

- It is a corporate model involving the whole organisational structure through a direct scheme of responsibilities assigned individually.
- The management of the ICM documentation is decentralised, being delegated to the Group's various units, while its coordination and monitoring is the duty of the non-financial risk control department. This department issues general criteria and guidelines to ensure uniformity and standardisation of the documentation of procedures, control assessment tests, criteria for the classification of potential weaknesses and rule changes.
- It is an extensive model with a global scope of application, which not only documents the activities relating to generation of the consolidated financial information, its core scope of application, but also other procedures developed by each entity's support areas. These do not generate a direct impact on the accounting process but could cause possible losses or contingencies in the case of incidents, errors, regulatory breaches and/or fraud.
- It is dynamic and updated continually to mirror the reality of the Group's business as it evolves, the risks to which it is exposed and the controls in place to mitigate these risks.
- It generates comprehensive documentation of all the processes falling under its scope of application and includes detailed descriptions of the transactions, evaluation criteria and checks applied to the ICM.

All of the Group companies' ICM documentation is compiled into a corporate IT application which is accessed by employees of differing levels of responsibility in the evaluation and certification process of Santander Group's internal control system.

The Group has a specific process for identifying the companies that should be included within its scope of consolidation. This is mainly monitored by the Financial Accounting and Control division and the office of the general secretary and human resources.

This procedure enables the identification of not just those entities over which the Group has control through voting rights from its direct or indirect holdings, but also those over which it exercises control through other channels, such as mutual funds, securitisations and other structured vehicles. This procedure analyses whether the Group has control over the entity, has rights over, or is exposed to, its variable returns, and whether it has the capacity to use its power to influence the amount of such variable returns. If the procedure concludes that the Group has such control, the entity is included in the scope of consolidation, and is fully consolidated. If not, it is analysed to identify whether there is significant influence or joint control. If this is the case, the entity is included in the scope of consolidation, and consolidated using the equity method.

Finally, the audit committee is responsible for supervising the Bank and Group's regulated financial information process and internal control system.

In supervising this financial information, particular attention is paid to its integrity, compliance with regulatory requirements and accounting criteria, and the correct definition of the scope of consolidation. The internal control and risk management systems are regularly reviewed to ensure their effectiveness and adequate identification, management and reporting.

8.3 Control activities

Procedures for reviewing and authorising financial information

The audit committee and the board of directors oversee the process of preparing and presenting the mandatory financial information regarding the Bank and the Group, an assessment of its competences, compliance with regulatory requirements and accounting standards which, together, ensure its accuracy and timely update on the Bank's website.

The process of creating, reviewing and authorising the financial information and the description of the ICFR is documented in a corporate tool which integrates the control model into risk management, including a description of the activities, risks, tasks and the controls associated with all of the transactions that may have a material effect on the financial statements. This documentation covers recurrent banking transactions and one-off transactions (stock trading, property deals, etc.), as well as aspects related to judgements and estimates, covering the registration, assessment, presentation and disclosure of financial information. The information in the tools is updated to

reflect changes in the methodology for, reviewing and authorising procedures for generating financial information.

The audit committee has the duty to report to the board, prior to its adoption of the decisions, regarding the financial information that the Group must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices used to prepare the financial statements with the same degree of reliability.

The most significant aspects of the accounting close process and review of material judgements, estimates, measurements and projections used are as follows:

- Impairment losses on certain assets;
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments and other obligations;
- The useful life of the tangible and intangible assets;
- The measurement of goodwill arising on consolidation;
- The calculation of provisions and the consideration of contingent liabilities;
- The fair value of certain unquoted assets and liabilities;
- The recoverability of tax assets; and
- The fair value of the identifiable assets acquired, and the liabilities assumed, in business combinations.

Our Group chief accounting officer presents the Group's financial information to the audit committee for validation on a quarterly basis, providing explanations of the main criteria employed for estimates, valuations and value judgements.

The information provided to directors prior to board meetings, including information on value judgements, estimates and forecasts relating to the financial information, is prepared specifically for the purposes of these meetings.

The Group has in place an assessment and certification process which verifies that the ICM is working properly and is effective in practice. This assessment starts with an evaluation of the control activities by the staff responsible for them. Depending on the conclusions drawn, the tasks and functions related to the generation of financial information are certified so that, having analysed all such certifications, the chief executive officer, the chief financial officer and the chief accounting officer/financial controller certify the effectiveness of the ICM.

There is also a committee called accounting and financial management information committee which is responsible for the governance and supervision of matters relating to accounting, financial management and control, and for ensuring that the Bank makes appropriate and adequate financial disclosures of these matters in accordance with laws and regulations, ensuring that such disclosure is fair, accurate and not misleading.

The annual process identifies and assesses the criticality of risks and the effectiveness of the controls identified in the Group.

The Non-Financial Risk Control unit prepares a report detailing the conclusions reached as a result of the certification process conducted by the units, taking the following aspects into consideration:

- Detail of the certifications obtained at all levels.
- Any additional certifications considered necessary.
- Specific certification of all significant outsourced services.
- Tests about the design and operation of ICM performed by those responsible for its maintenance and/or by independent experts.

This report also itemises the main deficiencies identified throughout the certification process by any of the parties involved, indicating whether these deficiencies have been properly resolved or, if not, what remediation plans are in place to correct them in a satisfactory manner.

The conclusions of these evaluation processes are presented to the audit committee by the non-financial risk control department, together with Financial Accounting and Control division and, if appropriate, the sponsors of the divisions and/or work companies concerned, after having been presented to the risk control committee.

Lastly, based on this report, the Group's chief accounting officer / controller, chief financial officer and its chief executive officer certify the effectiveness of the ICM in terms of preventing or detecting errors which could have a material impact on the consolidated financial information.

Since 2018, the Group has worked to strengthen the identification and documentation of the most relevant controls relating to the internal control over financial reporting (special monitoring controls). This has included the reinforcement of existing mechanisms within the organization to promote a culture of preventive risk identification and management in a more precise way.

Finally, during 2019, the Group defined within its governance scheme a new meeting called 'Internal Control Steering Meeting' where the main stakeholders of the Group's ICM monitor progress with the main control deficiencies and the strategy and evolution of the Group's ICM.

Internal control policies and procedures for IT systems

The Technology and Operations Division draws up the corporate policies relating to the Group's information systems which, directly or indirectly, relate to the financial statements, guarantee, at all times, through a specific internal control system, the correct preparation and publication of financial information.

For internal control purposes, are particularly relevant the policies relating to the following aspects:

- Internal policies and procedures, updated and disseminated, relating to system security and access to applications and computer systems, based on roles and in accordance with the functions and ratings assigned to each unit/position, in order to ensure adequate segregation of duties.
- The Group's methodology ensures that the development of new applications and the modification or maintenance

of existing applications is through a circuit of definition, development and testing that ensures the reliable processing of financial information.

- In this way, once the development of the applications has been completed based on the standardised definition of requirements (detailed documentation of the processes to be implemented), comprehensive tests are carried out by a specialist development laboratory in this field.
- Subsequently, in a pre-production environment (computer environment that simulates real situations) and prior to their definitive implementation, a complete software testing cycle is run, which includes: technical and functional tests, performance tests, user acceptance tests and pilot and prototype tests that are defined by the entities, before making the applications available to end users.
- Based on corporate methodology, the Group guarantees the existence of continuity plans to ensure the performance of key functions in the event of disasters or events that may suspend or interrupt activity. To this end, there are back-up systems with a high degree of automation that guarantee the continuity of critical systems with minimum human intervention, thanks to redundant systems, high availability systems and redundant communication lines.

Internal control policies and procedures over outsourced activities and valuation services from independent experts

The Group has established an action framework and specific implementation policies and procedures to ensure the adequate coverage of the risks associated with subcontracting activities to third parties.

This framework is in line with the EBA's requirements for outsourcing arrangements and risk management with third parties, and must be complied within all companies of the Group.

The relevant processes include:

- The performance of tasks relating to the initiation, recording, processing, settlement, reporting and accounting of asset valuations and transactions.
- The provision of IT support in its various manifestations: software development, infrastructure maintenance, incident management, IT security and IT processing.
- The provision of other material support services not directly related to the generation of financial information: supplier management, property management, HR management, etc.

The main control procedures in place to ensure adequate coverage of the risks intrinsic to these processes are:

- Relations among Group companies are documented in contracts which detail exhaustively the type and level of service provided.
- All of the Group's service providers document and validate the main processes and controls related to the services they provide.

- Entities to which activities are outsourced document and validate their controls in order to ensure that the material risks associated with the outsourced services are kept within reasonable levels. Thus enables the identification and implementation of inherent risk mitigation plans to ensure that residual risk is within the entity's risk appetite.

The Group assesses its evaluation internally according to the control model guidelines mentioned. Whenever it considers it advisable to hire the services of a third party to help with specific matters, it does so having verified their expertise and independence, for which procedures are in place, and having validated their methods and the reasonableness of the assumptions made.

Furthermore, the Group put in place controls to ensure the integrity and quality of information for external suppliers providing significant services that might impact the financial statements and are detailed in the service level agreements reflected in the respective contracts with third parties.

8.4 Information and communication

Function in charge of accounting policies

The Financial Accounting and Control division includes the accounting policies area, the head of which reports directly to the financial controller and has the following exclusive responsibilities:

- Defining the accounting treatment of the transactions that constitute the Bank's business in keeping with their economic substance and the regulations governing the financial system.
- Defining and updating the Group's accounting policies and resolving any questions or conflicts deriving from their interpretation.
- Enhancing and standardising the Group's accounting practices.
- Assisting and advising the professionals responsible for new IT developments with respect to accounting requirements and ways of presenting information for internal consumption and external distribution and on how to maintain these systems as they relate to accounting issues.

The Corporate Accounting, Financial Reporting and Management Framework sets out the principles, guidelines and procedures for accounting, financial reporting and management that apply to all entities of the Santander Group as a key pillar of good governance. The structure of the Group calls for the application of consistent principles, guidelines and procedures so that each Group entity can rely on effective consolidation methods and apply uniform accounting policies. The principles set out in this Framework are appropriately implemented and specified in the Group's accounting policies.

Accounting policies must be treated as a supplement to the financial and accounting standards that apply in the given jurisdiction. Their overarching objectives are as follows: (i) financial statements and other financial information made

available to management bodies, regulators and third parties must provide accurate and reliable information for decision-making relating to the Group, and (ii) all Group entities must be enabled to comply in a timely manner with legal duties and obligations and regulatory requirements. The Accounting Policies are subject to revision whenever the reference regulations are modified and, at least, once a year.

Additionally, on a monthly basis, the accounting policies area publishes an internal bulletin that contains relevant news on accounting matters, including both new published regulations and the most relevant guidance. These documents are stored in an accounting standards library, which is accessible to all Group units.

The Financial Accounting and Control division has put in place procedures to ensure it has all the information it needs to update the accounting plan to cover the issue of new products and regulatory and accounting changes that make it necessary to adapt the plan and accounting principles and policies.

The Group entities, through the heads of their operations or accounting units, maintain an on-going and fluid dialogue with the financial regulation and accounting processes area and with the other areas of the management control unit.

Mechanisms for the preparation of financial information

The Group's computer applications are configured into a management model which, using an IT system structure appropriate for a bank, is divided into several 'layers', which supply different kinds of services, including:

- General information systems: these provide information to division/business unit heads.
- Management systems: these produce information for business monitoring and control purposes.
- Business systems: software encompassing the full product-contract-customer life cycle.
- Structural systems: these support the data shared and are used by all the applications and services. These systems include all necessary accounting and financial information.

All these systems are designed and developed in accordance with the following IT architecture:

- General software architecture, which defines the design patterns and principles for all systems.
- Technical architecture, including the mechanisms used in the model for design outsourcing, tool encapsulation and task automation.

One of the overriding purposes of this model is to provide the Group's IT systems with the right software infrastructure to manage all the transactions performed and their subsequent entry into the corresponding accounting registers, with the resources needed to enable access to, and consultation of, the various levels of supporting data.

The software applications do not generate accounting entries per se; they are based on a model centred on the transaction itself and a complementary model of accounting templates that specifies the accounting entries and movements to be made for the transaction. These

accounting entries and movements are designed, authorised and maintained by the Financial Accounting and Control division.

The applications execute all the transactions performed in a given day across various distribution channels (branches, internet, telephone banking, e-banking, etc.) into the 'daily transaction register'.

This register generates the transaction accounting entries and movements on the basis of the information contained in the accounting template, uploading it directly into the accounting infrastructure application.

This application carries out other processes necessary to generate financial information, including: capturing and balancing the movements received, consolidating and reconciling with application balances, cross-checking the software and accounting information for accuracy, complying with the accounting allocation structural model, managing and storing auxiliary accounting data and making accounting entries for retention in the accounting system itself.

Some applications do not use this process. These rely instead on their own account assistants who upload the general accounting data directly by means of account movements, so that the definition of these accounting entries resides in the applications themselves.

In order to control this process, before inputting the movements into the general accounting system, the accounting information is uploaded into a verification system which performs a number of controls and tests.

This accounting infrastructure and the aforementioned structural systems generate the processes needed to formulate, disclose and store all the financial information required of a financial institution for regulatory and internal purposes, all of which under the guidance, supervision and control of the Financial Accounting and Control division.

To minimise the attendant operational risks and optimise the quality of the information produced in the consolidation process, the Group has developed two IT tools which it uses in the financial statement consolidation process.

The first channels information flows between the units and the Financial Accounting and Control division, while the second performs the proper consolidation on the basis of the information provided by the former.

Each month, all of the entities within the Group's scope of consolidation report their financial statements, in keeping with the Group's audit plan.

The Group's audit plan, which is included in the consolidation application, generally contains the disclosure needed to comply with the disclosure requirements imposed on the Group by Spanish and international authorities.

The consolidation application includes a module that standardises the accounting criteria applied so that the units make the accounting adjustments needed to make their financial statements consistent with the accounting criteria followed by the Group.

The next step, which is automated and standardised, is to convert the financial statements of the entities that do not operate in euros into the Group's functional currency.

The financial statements of the entities comprising the scope of consolidation are subsequently aggregated.

The consolidation process identifies intragroup items, ensuring they are correctly eliminated. In addition, in order to ensure the quality and comprehensiveness of the information, the consolidation application is configured to make investment-equity elimination adjustments and to eliminate intragroup transactions, which are generated automatically in keeping with the system settings and checks.

Lastly, the consolidation application includes another module (the annex module) which allows all units to upload the accounting and non-accounting information not specified in the aforementioned audit plan and which the Group deems necessary for the purpose of complying with applicable disclosure requirements.

This entire process is highly automated and includes automatic controls to enable the detection of incidents in the consolidation process. The Financial Accounting and Control division also performs additional oversight and analytical controls.

8.5 Monitoring

2019 ICFR monitoring activities and results

The board has approved a corporate internal audit framework for the Santander Group, defining the global function of internal audit and how it is to be carried out.

In accordance with this, internal audit is a permanent function and independent from all other functions and units. Its mission is to provide the board of directors and senior management with independent assurances with regard to the quality and efficacy of the systems and processes of internal control, risk management (current and emerging) and governance, thereby helping to safeguard the organisation's value, solvency and reputation. Internal audit reports to the board audit committee and to the board of directors on a regular basis and at least twice a year, as an independent unit, has free and unfettered direct access to the board whenever it deems it appropriate.

Internal audit evaluates:

- The efficacy and efficiency of the processes and systems cited above;
- Compliance with applicable legislation and requirements of supervisory bodies;
- The reliability and integrity of financial and operating information; and
- The integrity of assets.

Internal audit is the third line of defence, independent of the other two. The scope of its work encompasses:

- All Group entities over which it exercises effective control;

- Separated assets (for example, mutual funds) managed by the entities mentioned in the previous section; and
- All entities (or separated assets) not included in the previous points, for which there is an agreement for the Group to provide internal audit functions.

This scope, subjectively defined, includes the activities, businesses and processes carried out (either directly or through outsourcing), the existing organisation and any commercial networks. In addition, and also as part of its mission, internal audit can undertake audits in other subsidiaries not included among the points above, when the Group has reserved this right as a shareholder, and in outsourced activities pursuant to the agreements reached in each case.

The board audit committee supervises the Group's internal audit function. See section 4.5 '[Audit committee activities in 2019](#)'.

As at the 2019 year-end, internal audit employed 1,268 people, all dedicated exclusively to this service. Of these, 268 were based at the Corporate Centre and 1,000 in local units situated in the principal geographic areas in which the Group is present, all of who work exclusively at those locations.

Each year, Internal Audit prepares an audit plan based on a self-assessment exercise of the risks to which the Group is exposed. Internal Audit is solely responsible for executing the plan. From the reviews carried out, audit recommendations may be prepared. These are prioritised according to their relative importance and are monitored continuously until their complete implementation.

At its meeting on 24 February 2020, the audit committee considered and approved the audit plan for 2020, which was submitted to, and approved by, the board at the meeting held on 27 February 2020.

The main objectives of the internal audit reviews were to:

- Verify compliance with sections 302, 404, 406, 407 and 806 of the Sarbanes-Oxley Act.
- Check the existing governance on information related to the internal control system over financial information.
- Review the functions performed by the internal control departments and other departments, areas or divisions involved in compliance with the SOX Act.
- Check that the SOX support documentation is updated.
- Verify the effectiveness of a sample of controls based on an Internal Audit risk assessment methodology.
- Evaluate the accuracy of the certifications carried out by the different units, especially their consistency with any observations and recommendations set forward by Internal audit, the auditors of the statutory accounts and different supervisors.
- Verify the implementation of the recommendations issued in the execution of the audit plan.

In 2019, the board audit committee and the board of directors were kept informed of the work carried out by the Internal Audit division on its annual plan and other issues

related to the audit function. See section 4.5 '[Audit committee activities in 2019](#)'.

Detection and management of deficiencies

The board audit committee is officially tasked with overseeing the financial information process and the internal control systems. It deals with any control deficiencies that might affect the reliability and accuracy of the financial statements. To this end, it can call in the various areas of the Group involved to provide the necessary information and clarifications. The committee also takes stock of the potential impact of any flaws detected in the financial information.

The board audit committee, as part of its remit to oversee the financial reporting process and the internal control systems, is responsible for discussing with the external auditors any significant weaknesses detected in the course of the audit.

As part of its supervision work, our board audit committee assesses the results of the work of the Internal Audit division, and can take action as necessary to correct any deficiencies identified in the financial information.

In 2019, the board audit committee was informed about the evaluation and certification of the ICM corresponding to year 2018. See section 4.5 '[Audit committee activities in 2019](#)'.

8.6 External auditor report

The external auditor has issued an independent reasonable assurance report on the design and effectiveness of the ICFR and the description on the ICFR that is provided in this section 8 of the annual corporate governance report.

This report is included in the next pages.



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent reasonable assurance report on the design and effectiveness of Internal Control over Financial Reporting (ICFR)

To the Board of Directors of Banco Santander, S.A.:

We have carried out a reasonable assurance engagement of the design and effectiveness of the Internal Control over Financial Reporting (hereinafter, ICFR) and the description that is included in the attached Report that forms part of the corresponding section of Corporate Governance Report of the Directors' Report accompanying the consolidated financial statements of Banco Santander, S.A., (hereinafter, the Parent Company) and its subsidiaries (hereinafter, the Group or Santander Group) as at December 31, 2019.

This system is based on the criteria and policies defined by the Group in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control-Integrated Framework" report, in its most recent framework published in 2013.

An Internal Control over Financial Reporting is a process designed to provide reasonable assurance over the reliability of financial information in accordance with the applicable financial reporting framework and includes those policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it and (iii) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sales of the Group assets that could have material effect on the financial information.

Inherent limitations

In this regard, it should be borne in mind that, given the inherent limitations of any system of Internal Control over Financial Reporting, regardless of the quality of the design and operation of the system, it can only allow reasonable, but not absolute security, in relation to the objectives it pursues, which may lead to errors, irregularities or fraud that may not be detected. On the other hand, the projection to future periods of the evaluation of internal control is subject to risks such as such internal control being inadequate as a result of future changes in the applicable conditions, or that in the future the level of compliance of the established policies or procedures may be reduced.

Director's responsibility

The Parent Company's Directors are responsible for taking the necessary measures to reasonably guarantee the implementation, maintenance and supervision of an adequate Internal Control over Financial Reporting, as well as the evaluation of its effectiveness, the development of improvements of ICFR and the preparation and establishment of the content of the attached information relating to the ICFR.

Our Responsibility

Our responsibility is to issue a reasonable assurance report on the design and effectiveness of the Internal Control over Financial Reporting of the Group, based on the work we have performed and on the evidence we have obtained. We have performed our reasonable assurance engagement in accordance with "International Standard on Assurance Engagements 3000 (ISAE 3000)" (Revised), "Assurance Engagements other than Auditing or Reviews of Historical Financial Reporting", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
 Inscrita en el R.O.A.C. con el número 50242 - CIF: B-79 031290



A reasonable assurance report includes the understanding of the Internal Control over Financial Reporting, assessing the risk of material weaknesses in the internal control, that the controls are not properly designed or they do not operate effectively, the execution of tests and evaluations on the design and effective implementation of this ICFR, based on our professional judgment, and the performance of such other procedures as may be deemed necessary.

We believe that the evidence we have obtained provides a sufficient and adequate basis for our opinion.

Our Independence and Quality Control

We have complied with the independence requirements and other ethical requirements of the Accounting Professionals Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

Our firm applies the "International Standard on Quality Control 1 (ISQC 1)" and maintains an exhaustive qualitative control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory provisions.

Opinion

In our opinion, Santander Group, maintained as at December 31, 2019, in all material respects, a system of Internal Control relating to Financial Reporting included in the consolidated financial statements of the Group as at December 31, 2019 effective, which is based on the criteria and the policies defined by the Group's management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control - Integrated Framework" report, in its most recent framework published in 2013.

In addition, the attached description of the ICFR Report as at December 31, 2019, has been prepared, in all material respects, in accordance with the requirements established by article 540 of the Consolidated Text of the Capital Companies Act and with the Circular 5/2013 of June 12, 2013 of the CNMV, as amended by CNMV Circular No. 7/2015 dated December 22, 2015 and Circular No 2/2018 dated June 12 of the CNMV for the purposes of the description of the ICFR in the Annual Reports of Corporate Governance.

This work does not constitute an audit of accounts nor is it subject to the regulations governing the activity of the audit in force in Spain, so we do not express any audit opinion in the terms provided in the aforementioned regulations. However, we have audited under separate engagement, in accordance with the regulations governing the audit activity in force in Spain, the consolidated financial statements of Santander Group prepared by the Parent Company's Directors in accordance with the International Financial Reporting Standards adopted by the European Union and other provisions of the financial reporting standards applicable to the Group, and our report dated February 28, 2020 expresses a favorable opinion on those consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L.

Alejandro Esnal Elorrieta

February 28, 2020

9. Other corporate governance information

As indicated in the introduction of this chapter '[Redesigned corporate governance report](#)', since 12 June 2018 (Circular 2/2018) the CNMV allows the annual corporate governance and directors' remuneration reports mandatory for Spanish listed companies to be drafted in a free format. As in 2018, we have opted for a free format for our 2019 corporate governance directors' remuneration reports.

The CNMV requires any issuer opting for a free format to provide certain information in a format established by the CNMV so that it can be aggregated for statistical purposes. This information is included (i) for corporate governance matters, under section 9.2 '[Statistical information on corporate governance required by the CNMV](#)', which also covers the section 'comply with the recommendations in the Spanish Corporate Governance Code for Listed Companies or explain', and (ii) for remuneration matters, under section 9.5 '[Statistical information on remuneration required by the CNMV](#)'.

In addition, given some shareholders or other stakeholders may be used to the formats of the corporate governance

and directors' remuneration reports set the by the CNMV, sections 9.1 '[Reconciliation with the CNMV's corporate governance report model](#)' and 9.4 '[Reconciliation to the CNMV's remuneration report model](#)' include, for each section of such formats, a cross reference to where this information may be found in this 2019 annual corporate governance report, drafted in a free format, or elsewhere in this annual report.

Moreover, we have traditionally filled in the 'comply or explain' section for all recommendations in the Spanish Corporate Governance Code for Listed Companies to establish where we comply and also the few instances where we do not comply or we comply partially. Therefore, we have included in section 9.3 '[Table on compliance with, and of, explanations of recommendations in corporate governance](#)' a chart with cross-references showing where the information supporting each response can be found in this 2019 corporate governance chapter or elsewhere in this annual report.

9.1 Reconciliation with the CNMV's corporate governance report model

Section in the CNMV model	Included in statistical report	Comments
A. OWNERSHIP STRUCTURE		
A.1	Yes	See section 2.1 .
A.2	Yes	See section 2.3 where we explain there are no significant shareholders on their own account.
A.3	Yes	See 'Tenure, committee membership and equity ownership' in section 4.2 and section 6 .
A.4	No	See section 2.3 where we explain there are no significant shareholders on their own account so this section does not apply.
A.5	No	See section 2.3 where we explain there are no significant shareholders on their own account so this section does not apply.
A.6	No	See section 2.3 where we explain there are no significant shareholders on their own account so this section does not apply.
A.7	Yes	See section 2.4 .
A.8	Yes	Not applicable.
A.9	Yes	See section 2.5 .
A.10	No	See section 2.5 .
A.11	Yes	See section 2.1 and statistical information.
A.12	No	See section 3.2 .
A.13	No	See section 3.2 .
A.14	Yes	See section 2.6 .
B. GENERAL SHAREHOLDERS' MEETING		
B.1	No	See 'Quorum and majorities required for passing resolutions at the GSM' in section 3.2 .
B.2	No	See 'Quorum and majorities required for passing resolutions at the GSM' in section 3.2 .
B.3	No	See 'Rules governing amendments to our Bylaws' in section 3.2 .

Section in the CNMV model	Included in statistical report	Comments
B.4	Yes	See sections 3.4 and 3.5 in relation to 2019.
B.5	Yes	See sections 3.4 and 3.5 .
B.6	Yes	See 'Participation of shareholders at the GSM' in section 3.2 .
B.7	No	See 'Quorum and majorities required for passing resolutions at the GSM' in section 3.2 .
B.8	No	See 'Corporate website' in section 3.1 .

C. MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1	Yes	See 'Size' in section 4.2 .
C.1.2	Yes	See 'Tenure, committee membership and equity ownership' in section 4.2 .
C.1.3	Yes	See sections 2.4 , 4.1 and 'Executive directors', 'Independent non-executive directors', 'Other external directors' and 'Composition by type of director' in section 4.2 .
C.1.4	Yes	See section 1.4 and 'Diversity' in section 4.2 .
C.1.5	No	See 'Diversity' in section 4.2 and section 4.6 and regarding top executive positions, see 'Responsible banking' chapter.
C.1.6	No	See 'Diversity' in section 4.2 and section 4.6 .
C.1.7	No	See section 1.4 and 'Diversity' in section 4.2 .
C.1.8	No	Not applicable.
C.1.9	No	See section 'Group executive chairman and chief executive officer' in section 4.3 and 'Executive committee' in section 4.4 .
C.1.10	No	See section 4.1 .
C.1.11	Yes	See section 4.1 .
C.1.12	Yes	See 'Board and committees attendance' in section 4.3 .
C.1.13	Yes	See section 6 and, additionally, note 5 c) to our consolidated financial statements '.
C.1.14	Yes	See sections 5 and 6 .
C.1.15	Yes	See 'Rules and regulations of the board' in section 4.3 .
C.1.16	No	See 'Election, renewal and succession of directors' in section 4.2 .
C.1.17	No	See 'Assessment of the board' in section 4.3 and section 4.6 .
C.1.18	No	See 'Assessment of the board' in section 4.3 .
C.1.19	No	See 'Election, renewal and succession of directors' in section 4.2 .
C.1.20	No	See 'Proceedings of the board' in section 4.3 .
C.1.21	Yes	Not applicable.
C.1.22	No	See 'Diversity' in section 4.2 .
C.1.23	Yes	See 'Election, renewal and succession of directors' in section 4.2 .
C.1.24	No	See 'Proceedings of the board' in section 4.3 .
C.1.25	Yes	See 'Lead independent director' and 'Board and committees attendance' in section 4.3 and sections 4.4 , 4.5 , 4.6 , 4.7 , 4.8 , 4.9 and 4.10 .
C.1.26	Yes	See 'Board and committees attendance' in section 4.3 .
C.1.27	Yes	See statistical information.
C.1.28	No	See 'Duties and activities in 2019' in section 4.5 .
C.1.29	Yes	See 'Secretary of the board' in section 4.3 .
C.1.30	No	See sections 3.1 , 'Duties and activities in 2019' in section 4.5 , and section 9.6 .
C.1.31	Yes	See 'External auditor' in section 4.5 .
C.1.32	Yes	See 'Duties and activities in 2019' in section 4.5 .
C.1.33	Yes	Not applicable.
C.1.34	Yes	See statistical information.
C.1.35	Yes	See 'Proceedings of the board' and 'Proceedings of the committees' in section 4.3 .
C.1.36	No	See 'Election, renewal and succession of directors' in section 4.2 .
C.1.37	No	Not applicable.
C.1.38	No	Not applicable.

Section in the CNMV model	Included in statistical report	Comments
C.1.39	Yes	See sections 6.4 and 6.7 .
C.2 Board committees		
C.2.1	Yes	See 'Board committees structure' and 'Proceedings of the committees' in section 4.3 and sections 4.4 , 4.5 , 4.6 , 4.7 , 4.8 , 4.9 and 4.10 .
C.2.2	Yes	See statistical information.
C.2.3	No	See 'Board committees structure' in section 4.3 and sections 4.4 , 4.5 , 4.6 , 4.7 , 4.8 , 4.9 and 4.10 .
D. RELATED PARTY AND INTRAGROUP TRANSACTIONS		
D.1	No	See 'Related-party transactions' in section 4.12 .
D.2	Yes	Not applicable.
D.3	Yes	See 'Related-party transactions' in section 4.12 .
D.4	Yes	See statistical information.
D.5	Yes	See 'Related-party transactions' in section 4.12 .
D.6	No	See 'Conflicts of interests' in section 4.12 .
D.7	Yes	Not applicable.
E. CONTROL AND RISK MANAGEMENT SYSTEMS		
E.1	No	See chapter ' Risk management and control ' of this annual report, in particular section 2 ' Risk management and control model ' and sections ' Our strong corporate culture: The Santander Way ' and ' Tax contribution ' in the ' Responsible banking ' chapter.
E.2	No	See note 54 to our consolidated financial statements, in particular section Risk governance, and sections ' Our strong corporate culture: The Santander Way ' and ' Tax contribution ' in the ' Responsible banking ' chapter.
E.3	No	See chapter ' Risk management and control ' of this annual report, in particular section 2.2 ' Risk factors ', and the ' Responsible banking ' chapter and for our capital needs, see also 'Economic capital' in section 3.5 of the ' Economic and financial review ' chapter.
E.4	No	See chapter ' Risk management and control ' of this annual report, in particular section 2.4 ' Management processes and tools ' and sections ' Our strong corporate culture: The Santander Way ' and ' Tax contribution ' in the ' Responsible banking ' chapter.
E.5	No	See chapter ' Risk management and control ' of this annual report, in particular sections 3 , 4 , 5 , 6 , 7 , 8 and 9 of such chapter for each risk. Additionally, see note 25e.i to our consolidated financial statements.
E.6	No	See chapter ' Risk management and control ' of this annual report, in particular section 2 ' Risk management and control model ', and sections 3 , 4 , 5 , 6 , 7 , 8 and 9 of such chapter for each risk.
F. ICFRS		
F.1	No	See section 8.1 .
F.2	No	See section 8.2 .
F.3	No	See section 8.3 .
F.4	No	See section 8.4 .
F.5	No	See section 8.5 .
F.6	No	Not applicable.
F.7	No	See section 8.6 .
G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS		
G	Yes	See 'Degree of compliance with the corporate governance recommendations' in section 9.2 and section 9.3 .
H. OTHER INFORMATION OF INTEREST		
H	No	See sections 'Tax Contribution' and 'Main international initiatives we support' in chapter ' Responsible Banking '.

9.2 Statistical information on corporate governance required by the CNMV

Unless otherwise indicated all data as of 31 December 2019.

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
09/10/2019	8,309,057,291	16,618,114,582	16,618,114,582

Indicate whether different types of shares exist with different associated rights:

Yes No

A.2 List the direct and indirect holders of significant ownership interests at year-end, excluding directors:

Name or corporate name of shareholder	% of voting rights attributed to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
BlackRock Inc.	0	5.08%	0	3.46%	5.43%

Details of the indirect shares:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	Total % of voting rights
BlackRock Inc.	Subsidiaries of BlackRock Inc.		5.08%	3.46%

A.3 Complete the following tables on company directors holding voting rights through company shares:

Name or corporate name of director	% of voting rights attributed to shares		% of voting rights through financial instruments		Total % of voting rights	% of voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Ms Ana Botín-Sanz de Sautuola y O'Shea	0.00	0.15	0.00	0.00	0.15	0.00	0.00
Mr José Antonio Álvarez Álvarez	0.01	0.00	0.00	0.00	0.01	0.00	0.00
Mr Bruce Carnegie-Brown	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ms Homaira Akbari	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr Ignacio Benjumea Cabeza de Vaca	0.02	0.00	0.00	0.00	0.02	0.00	0.00
Mr Javier Botín-Sanz de Sautuola y O'Shea	0.03	0.53	0.00	0.00	0.56	0.00	0.00
Mr Álvaro Cardoso de Souza	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ms Sol Daurella Comadrán	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr Guillermo de la Dehesa Romero	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr Enrique de Castro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr Rodrigo Echenique Gordillo	0.01	0.00	0.00	0.00	0.01	0.00	0.00
Ms Esther Giménez-Salinas i Colomer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr Ramiro Mato García Ansorena	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ms Belén Romana García	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mrs Pamela Walkden	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% total voting rights held by the board of directors	0.75%
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A.7 Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Companies Act (LSC). Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes No

Parties to the shareholders' agreement	% of share capital affected	Brief description of agreement	Expiry date, if applicable
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea (directamente y a través de Agropecuaria El Castaño, S.L.U.) Mr Emilio Botín-Sanz de Sautuola y O'Shea, Puente San Miguel, S.L.U. Ms Ana Botín-Sanz de Sautuola y O'Shea, CRONJE, S.L.U. Nueva Azil, S.L. Ms Carmen Botín-Sanz de Sautuola y O'Shea Ms Paloma Botín-Sanz de Sautuola y O'Shea Bright Sky 2012, S.L.	0.56%	Transfer restrictions and syndication of voting rights as described under section 2.4 ' Shareholders' agreements ' of the Corporate governance chapter in the annual report. The communications to CNMV relating to this shareholders' agreement can be found in material facts with entry numbers 64179, 171949, 177432, 194069, 211556, 218392, 223703, 226968 and 285567 filed in CNMV on 17 February 2006, 3 August 2012, 19 November 2012, 17 October, 2013, 3 October 2014, 6 February 2015, 29 May 2015, 29 July 2015 and 31 December 2019, respectively.	01/01/2056

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes No

Participants in the concerted action	% of share capital affected	Brief description of concerted action	Expiry date, if applicable
D. Francisco Javier Botín-Sanz de Sautuola y O'Shea (directamente y a través de Agropecuaria El Castaño, S.L.U.) Mr Emilio Botín-Sanz de Sautuola y O'Shea, Puente San Miguel, S.L.U. Ms Ana Botín-Sanz de Sautuola y O'Shea, CRONJE, S.L.U. Nueva Azil, S.L. Ms Carmen Botín-Sanz de Sautuola y O'Shea Ms Paloma Botín-Sanz de Sautuola y O'Shea Bright Sky 2012, S.L.	0.56%	Transfer restrictions and syndication of voting rights as described under section 2.4 ' Shareholders' agreements ' of the Corporate governance chapter in the annual report. The communications to CNMV relating to this shareholders' agreement can be found in material facts with entry numbers 64179, 171949, 177432, 194069, 211556, 218392, 223703, 226968 and 285567 filed in CNMV on 17 February 2006, 3 August 2012, 19 November 2012, 17 October, 2013, 3 October 2014, 6 February 2015, 29 May 2015, 29 July 2015 and 31 December 2019, respectively.	01/01/2056

A.8 Indicate whether any individual or entity currently exercises control or could exercise control over the company in accordance with article 5 of the Spanish Securities Market Act. If so, identify them:

Yes No

A.9 Complete the following tables on the company's treasury shares:

At year end:

Number of shares held directly	Number of shares held indirectly*	% of total share capital
0	8,430,425	0.05%

(*)Through:

Name or corporate name of the direct shareholder	Number of shares held directly
Pereda Gestión, S.A.	6,500,000
Banco Santander Río, S.A.	849,652
Banco Santander México, S.A.	1,080,773
Total:	8,430,425

A.11 Estimated free float:

Estimated free float	%
	93.77%

A.14 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes No

B. GENERAL SHAREHOLDERS' MEETING

B.4 Indicate the attendance figures for the general shareholders' meetings held during the fiscal year to which this report relates and in the two preceding fiscal years:

Date of General Meeting	Attendance data					Total
	% attending in person	% by proxy	% remote voting			
			Electronic means	Other		
04/07/2017	0.90 %	47.48%	0.37%	15.27%	64.02%	
of which free float:	0.26 %	47.48%	0.37%	15.27%	63.38%	

Date of General Meeting	Attendance data					Total
	% attending in person	% by proxy	% remote voting			
			Electronic means	Other		
03/23/2018	0.82%	47.61%	0.38%	15.74%	64.55%	
of which free float:	0.18%	47.61%	0.38%	15.74%	63.91%	

Date of General Meeting	Attendance data					Total
	% attending in person	% by proxy	% remote voting			
			Electronic means	Other		
04/12/2019	0.77%	65.30%	0.57%	1.86%	68.49%	
of which free float:	0.63%	64.30%	0.57%	1.86%	67.36%	

Date of General Meeting	Attendance data					Total
	% attending in person	% by proxy	% remote voting			
			Electronic means	Other		
07/23/2019	0.65%	41.82%	0.30%	16.45%	59.22%	
of which free float:	0.58%	41.82%	0.30%	16.45%	58.15%	

B.5 Indicate whether in the general shareholders' meetings held during the fiscal year to which this report relate there has been any matter submitted to them which, for any reason, has not been approved by the shareholders.

Yes No

B.6 Indicate whether the bylaws require a minimum holding of shares to attend to or to vote remotely in the general shareholders' meeting:

Yes No

C. MANAGEMENT STRUCTURE**C.1 Board of directors****C.1.1 Maximum and minimum number of directors provided for in the Bylaws:**

Maximum number of directors	17
Minimum number of directors	12
Number of directors fixed by GSM	15

C.1.2 Complete the following table with the directors' details:

Name or corporate name of director	Representative	Category of director	Position in the board	Date of first appointment	Date of last appointment	Election procedure
Ms Ana Botín-Sanz de Sautuola y O'Shea	N/A	Executive	Chairman	04/02/1989	07/04/2017	Vote in general shareholders' meeting
Mr José Antonio Álvarez Álvarez	N/A	Executive	Chief executive officer	25/11/2014	12/04/2019	Vote in general shareholders' meeting
Mr Bruce Carnegie-Brown	N/A	Non-executive independent	Lead independent director	25/11/2014	12/04/2019	Vote in general shareholders' meeting
Ms Homaira Akbari	N/A	Non-executive independent	Director	27/09/2016	23/03/2018	Vote in general shareholders' meeting
Mr Ignacio Benjumea Cabeza de Vaca	N/A	Other external	Director	30/06/2015	23/03/2018	Vote in general shareholders' meeting
Mr Javier Botín-Sanz de Sautuola y O'Shea	N/A	Other external	Director	25/07/2004	12/04/2019	Vote in general shareholders' meeting
Mr Álvaro Cardoso de Souza	N/A	Non-executive independent	Director	01/04/2018	01/04/2018	Vote in general shareholders' meeting
Ms Sol Daurella Comadrán	N/A	Non-executive independent	Director	25/11/2014	23/03/2018	Vote in general shareholders' meeting
Mr Guillermo de la Dehesa Romero	N/A	Other external	Director	24/06/2002	23/03/2018	Vote in general shareholders' meeting
Mr Henrique de Castro	N/A	Non-executive independent	Director	07/07/2019	07/07/2019	Vote in general shareholders' meeting
Mr Rodrigo Echenique Gordillo	N/A	Other external	Director	07/10/1988	07/04/2017	Vote in general shareholders' meeting
Ms Esther Giménez- Salinas i Colomer	N/A	Non-executive independent	Director	30/03/2012	07/04/2017	Vote in general shareholders' meeting
Mr Ramiro Mato García-Ansorena	N/A	Non-executive independent	Director	28/11/2017	12/04/2019	Vote in general shareholders' meeting
Ms Belén Romana García	N/A	Non-executive independent	Director	22/12/2015	12/04/2019	Vote in general shareholders' meeting
Mrs Pamela Walkden	N/A	Non-executive independent	Director	29/10/2019	29/10/2019	Co-option
Total number of directors				15		

Indicate any directors who have left during the fiscal year to which this report relates, regardless of the reason (whether for resignation, removal or any other):

Name or corporate name of director	Category of director at the time he/her left	Date of last appointment	Date of leave	Board committees he or she was a member of	Indicate whether he or she has left before the expiry of his or her term
Mr Juan Miguel Villar Mir	Non-executive independent	27/03/2015	1/1/2019	N/A	NO
Mr. Carlos Fernández González	Non-executive independent	23/03/2018	28/10/2019	Audit Committee, Appointments Committee, Remuneration Committee	YES

C.1.3 Complete the following tables for the directors in each relevant category:

Executive directors

Name or corporate name of director	Position held in the company	Profile
Ms Ana Botín-Sanz de Sautuola y O'Shea	Group executive chairman	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.
Mr José Antonio Álvarez Álvarez	CEO	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.
Total number of executive directors		2
% of the Board		13.33%

Proprietary non-executive directors

Name or corporate name of director	Name or corporate name of significant shareholder represented or having proposed his or her appointment	Profile
N/A	N/A	N/A
Total number of proprietary non-executive directors		0
% of the Board		0%

Independent non-executive directors

Name or corporate name of director	Profile	
Mr Bruce Carnegie-Brown	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Ms Homaira Akbari	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Mr Álvaro Cardoso de Souza	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Ms Sol Daurella Comadrán	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Mr Henrique de Castro	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Ms Esther Giménez-Salinas i Colomer	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Mr Ramiro Mato García-Ansorena	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Ms Belén Romana García	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Mrs Pamela Walkden	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.	
Total number of independent directors		9
% of the Board		60%

Identify any independent director who receives from the company or its group any amount or perk other than his or her director remuneration or who maintain or have maintained during the fiscal year covered in this report a business relationship with the company or any group company, either in his or her own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained such a business relationship.

In such a case, a reasoned statement from the Board on why the relevant director(s) is able to carry on their duties as independent director(s) shall be included.

Name or corporate name of director	Description of the relationship	Reasoned statement
Ms Sol Daurella	Financing	<p>When assessing the annual verification of the independence of directors with this condition, the appointments committee analysed the business relationships between Santander Group and the companies in which they are or have previously been significant shareholders, directors or executives.</p> <p>The committee concluded that the funding granted by Santander Group to companies in which Ms Sol Daurella is or has been a significant shareholder or director in 2019, did not have the condition of significant among other reasons because: (i) it does not generate a situation of economic dependence on the companies involved in view of the substitutability of this funding by other sources, whether they are banking or other types, (ii) it is aligned with the market share of the Santander Group in the corresponding market, and (iii) have not reached certain comparable materiality thresholds used in other jurisdictions: e.g. NYSE, Nasdaq and Canada's Bank Act.</p>
D. Henrique de Castro		<p>When assessing the annual verification of the independence of directors with this condition, the appointments committee analysed the business relationships between Santander Group and the companies in which they are or have previously been significant shareholders, directors or executives.</p> <p>The committee concluded that business relationships between Santander Group with companies in which Mr Henrique de Castro is or has been an administrator in 2019, were not significant among other reasons because they have not reached certain comparable materiality thresholds used in other jurisdictions: e.g. NYSE and Nasdaq.</p>

Ms Belén Romana	Business	<p>When assessing the annual verification of the independence of directors with this condition, the appointments committee analysed the business relationships between Santander Group and the companies in which they are or have previously been significant shareholders, directors or executives.</p> <p>The committee concluded that business relationships between Santander Group with companies in which Ms Belén Romana has been an administrator in 2019, were not significant among other reasons because they have not reached certain comparable materiality thresholds used in other jurisdictions: e.g. NYSE and Nasdaq.</p>
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Other non-executive directors

Identify all other non-executive directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Name or corporate name of director	Reasons for not qualifying under other category	Entity, executive or shareholder with whom it maintains a relationship	Profile
Mr Ignacio Benjumea Cabeza de Vaca	Because the requirements established in paragraph 3 of article 529 duodecies LSC are not met, and as a prudence criteria, despite having elapsed the legal period required since his professional relationship with the Bank ceased (other than that derived from his position as director of the Bank and Santander Spain)	Banco Santander, S.A.	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.
Mr Javier Botín-Sanz de Sautuola y O'Shea	Because the requirements established in paragraph 3 of article 529 duodecies LSC are not met, and he has held the position of director for more than 12 years.	Banco Santander, S.A.	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.
Mr Guillermo de la Dehesa Romero	Because the requirements established in paragraph 3 of article 529 duodecies LSC are not met, and he has held the position of director for more than 12 years.	Banco Santander, S.A.	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.
Mr Rodrigo Echenique Gordillo	Because the requirements established in paragraph 3 of article 529 duodecies LSC are not met, and he has held the position of director for more than 12 years and for not having elapsed the required term since he ceased his executive functions.	Banco Santander, S.A.	See section 4.1 ' Our directors ' in the Corporate governance chapter in the annual report.
Total number of other non-executive directors			4
% of the Board			26.67%

List any changes in the category of a director which have occurred during the period covered in this report.

Name or corporate name of director	Date of change	Previous category	Current category
Mr Rodrigo Echenique Gordillo	01/05/2019	Executive director	Other external director

C.1.4 Complete the following table on the number of female directors at the end of each the past four years and their category:

Number of female directors	% of total directors of each category							
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2019	FY 2018	FY 2017	FY 2016
Executive	1	1	1	1	50.00%	33.33%	33.33%	25.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	5	4	4	5	55.55%	44.44%	50.00%	62.50%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	6	5	5	6	40.00%	33.33%	35.71%	40.00%

C.1.11 Identify those directors (or individuals representing the director in the case of directors who are body corporates) who hold a directorship of other non-group companies that are listed on official securities markets (or who are the individuals representing a body corporate holding such a directorship), if communicated to the company:

Name or corporate name of director	Name of the listed company	Position
Ms Ana Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	Director
Mr Rodrigo Echenique Gordillo	Industria de Diseño Textil, S.A. (Inditex)	Director
Mr Guillermo de la Dehesa Romero	Amadeus IT Group, S.A.	Vice Chairman
Ms Homaira Akbari	Landstar System, Inc.	Director
Ms Sol Daurella Comadrán	Coca-Cola European Partners plc.	Chairman
Mr Henrique de Castro	Fiserv Inc.	Director
	Target Corporation	Director
Ms Belén Romana García	Aviva plc.	Director

C.1.12 Indicate and, if applicable explain, if the company has established rules on the maximum number of directorships its directors may hold and, if so, where they are regulated:

Yes No

The maximum number of directorships is established, as provided for in article 30 of the Rules and regulations of the board, in article 26 of Spanish Law 10/2014 on the ordering, supervision and solvency of credit institutions. This rule is further developed by articles 29 and subsequent of Royal Decree 84/2015 and by Rules 30 and subsequent of Bank of Spain Circular 2/2016.

C.1.13 Identify the following items of the total remuneration of the board of directors:

Board remuneration accrued in the fiscal year (EUR thousand)	27,187
Amount of accumulated pension rights of current directors (EUR thousand)	78,776
Amount of accumulated pension rights of former directors (EUR thousand)	65,694

C.1.14 Identify the members of the company's senior management who are non executive directors and indicate total remuneration they have accrued during the fiscal year:

Name or corporate name	Position (s)
Mr Rami Aboukhair Hurtado	Country head - Santander Spain
Ms Lindsey Tyler Argalas	Head of Santander Digital
Mr Juan Manuel Cendoya Méndez de Vigo	Group head of Communications, Corporate Marketing and Research
Mr José Francisco Doncel Razola	Group head of Accounting and Financial Control
Mr Keiran Paul Foad	Group Chief Risk Officer
Mr José Antonio García Cantera	Group Chief Financial Officer
Mr Juan Guitard Marín	Group Chief Audit Executive
Mr José María Linares Perou	Global head of Corporate & Investment Banking
Ms Mónica Lopez-Mónis Gallego	Group head of Supervisory and Regulatory Relations
Mr Javier Maldonado Trinchant	Group head of Costs
Mr Dirk Marzluf	Group head of Technology and Operations
Mr Víctor Matarranz Sanz de Madrid	Global head of Wealth Management
Mr José Luis de Mora Gil-Gallardo	Group head of Strategy and Corporate Development and Head of Consumer Finance (Santander Consumer Finance)
Mr José María Nus Badía	Risk adviser to Group executive chairman
Mr Jaimé Pérez Renovales	Group head of General Secretariat and Human Resources
Mr Javier San Félix García	Head of Santander Global Payments Services
Ms Jennifer Scardino	Head of Global communications. Group deputy head of Communications, Corporate Marketing and Research
Ms Marjolien van Hellemond-Gerdingh	Group Chief Compliance Officer
Total remuneration accrued by the senior management (EUR thousand)	60,787

C.1.15 Indicate whether any changes have been made to the board Rules and regulations during the fiscal year:

Yes No

C.1.21 Indicate whether there are any specific requirements, other than those applying to directors generally, to be appointed chairman.

Yes No

C.1.23 Indicate whether the bylaws or the board Rules and regulations set a limited term of office (or other requirements which are stricter than those provided for in the law) for independent directors different than the one provided for in the law.

Yes No

C.1.25 Indicate the number of board meetings held during the fiscal year and how many times the board has met without the chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	18
Number of board meetings held without the chairman's attendance	0

Indicate the number of meetings held by the lead independent director with the rest of directors without the attendance or representation of any executive director.

Number of meetings	3
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Indicate the number of meetings of the various board committees held during the fiscal year.

Number of meetings of the audit committee	13
Number of meetings of the responsible banking, sustainability and culture committee	4
Number of meetings of the innovation and technology committee	4
Number of meetings of the appointments committee	13
Number of meetings of the remuneration committee	11
Number of meetings of the risk supervision, regulation and compliance committee	14
Number of meetings of the executive committee	42

C.1.26 Indicate the number of board meetings held during the fiscal year and data about the attendance of the directors.

Number of meetings with at least 80% of directors being present	18
% of votes cast by members present over total votes in the fiscal year	96.92%
Number of board meetings with all directors being present (or represented having given specific instructions)	17
% of votes cast by members present at the meeting or represented with specific instructions over total votes in the fiscal year	99.61%

C.1.27 Indicate whether the company's consolidated and individual financial statements are certified before they are submitted to the board for their formulation.

Yes No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their formulation by the board:

Name	Position
Mr José Francisco Doncel Razola	Group head of Accounting and Financial Control

C.1.29 Is the secretary of the board also a director?

Yes No

If the secretary of the board is not a director fill in the following table:

Name or corporate name of the secretary	Representative
Mr Jaime Pérez Renovales	N/A

C.1.31 Indicate whether the company has changed its external audit firm during the fiscal year. If so, identify the incoming audit firm and the outgoing audit firm:

Yes No

C.1.32 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes No

	Company	Group companies	Total
Amount of non-audit work (EUR thousand)	0.199	2,824	3,023
Amount of non-audit work as a % of amount of audit work	0.2%	2.6%	2.8%

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the chairman of the audit committee to the shareholders in the general shareholders meeting to explain the content and scope of those reservations or qualifications.

Yes No

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual financial statements	Consolidated financial statements
Number of consecutive years	4	4
	Company	Group
Number of years audited by current audit firm/Number of years the company's or its Group financial statements have been audited (%)	10.81%	10.81%

C.1.35 Indicate and if applicable explain whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

Yes No

Procedures

Our Rules and regulations of the board stipulate that members of the board and committees are provided with the relevant documentation for each meeting sufficiently in advance of the meeting date, thereby ensuring the confidentiality of the information.

C.1.39 Identify, individually in the case of directors, and in the aggregate in all other cases, and provide detailed information on, agreements between the company and its directors, executives and employees that provide indemnification, guarantee or golden parachute clause in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of transaction.

Number of beneficiaries	18
Type of beneficiary	Description of the agreement:
Employees	The Bank has no commitments to provide severance pay to directors. A number of employees have a right to compensation equivalent to one to two years of their basic salary in the event of their contracts being terminated by the Bank in the first two years of their contract in the event of dismissal on grounds other than their own will, retirement, disability or serious dereliction of duties. In addition, for the purposes of legal compensation, in the event of redundancy a number of employees are entitled to recognition of length of service including services provided prior to being contracted by the Bank; this would entitle them to higher compensation than they would be due based on their actual length of service with the Bank itself.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group beyond the procedures provided for in applicable law. If applicable, specify the process applied, the situations in which they apply, and the bodies responsible for approving or communicating those agreements:

	Board of directors	General Shareholders' Meeting
Body authorising clauses	✓	
	YES	NO
Is the general shareholders' meeting informed of such clauses?	✓	

C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of executive, independent and other external directors.

Executive committee

Name	Position	Type	
Ms Ana Botín-Sanz de Sautuola y O'Shea	Chairman	Executive director	
Mr José Antonio Álvarez Álvarez	Member	Executive director	
Mr Ignacio Benjumea Cabeza de Vaca	Member	Other external director	
Mr Bruce Carnegie-Brown	Member	External independent director	
Mr Guillermo de la Dehesa Romero	Member	Other external director	
Mr Ramiro Mato García-Ansorena	Member	External independent director	
Ms Belén Romana García	Member	External independent director	
	Member		
	Member		
% of executive directors			28.57%
% of proprietary directors			0%
% of independent directors			42.86%
% of other non-executive directors			28.57%

Audit committee

Name	Position	Type	
Ms Belén Romana García	Chairman	External independent director	
Ms Homaira Akbari	Member	External independent director	
Mr Henrique de Castro	Member	External independent director	
Mr Ramiro Mato García-Ansorena	Member	External independent director	
Mrs Pamela Walkden	Member	External independent director	
% of executive directors			0%
% of proprietary directors			0%
% of independent directors			100%
% of other non-executive directors			0%

Identify those directors in the audit committee who have been appointed on the basis of their knowledge and experience in accounting, audit or both and indicate the date of appointment of the committee chairman.

Name of directors with accounting or audit experience	Ms Belén Romana García Ms Homaira Akbari Mr Ramiro Mato García-Ansorena Mr Henrique de Castro Mrs Pamela Walkden
Date of appointment of the committee Chairman for that position	26 April 2016

Appointments committee

Name	Position	Type	
Mr Bruce Carnegie-Brown	Chairman	External independent director	
Mr Guillermo de la Dehesa Romero	Member	Other external director	
Ms Sol Daurella Comádran	Member	External independent director	
Mr Rodrigo Echenique Gordillo	Member	Other external director	
Ms Esther Giménez-Salinas i Colomer	Member	External independent director	
% of executive directors			0%
% of proprietary directors			0%
% of independent directors			60.00%
% of other executive directors			40.00%

Remuneration committee

Name	Position	Type
Mr Bruce Carnegie-Brown	Chairman	External independent director
Mr Ignacio Benjumea Cabeza de Vaca	Member	Other external director
Mr Guillermo de la Dehesa Romero	Member	Other external director
Ms Sol Daurella Comadrán	Member	External independent director
Mr Henrique de Castro	Member	External independent director
% of executive directors		0%
% of proprietary directors		0%
% of independent directors		60.00%
% of other external directors		40.00%

Risk supervision, regulation and compliance committee

Name	Position	Type
Mr Álvaro Cardoso de Souza	Chairman	External independent director
Mr Ignacio Benjumea Cabeza de Vaca	Member	Other external director
Ms Esther Giménez- Salinas i Colomer	Member	External independent director
Mr Ramiro Mato García-Ansorena	Member	External independent director
Ms Belén Romana García	Member	External independent director
% of executive directors		0%
% of proprietary directors		0%
% of independent directors		80.00%
% of other external directors		20.00%

Responsible banking, sustainability and culture committee

Name	Position	Type
Mr Ramiro Mato García-Ansorena	Chairman	External independent director
Ms Ana Botín-Sanz de Sautuola y O'Shea	Member	Executive director
Ms Homaira Akbari	Member	External independent director
Mr Ignacio Benjumea Cabeza de Vaca	Member	Other external director
Mr Álvaro Cardoso de Souza	Member	External independent director
Ms Sol Daurella Comadrán	Member	External independent director
Ms Esther Giménez-Salinas i Colomer	Member	External independent director
Ms Belén Romana García	Member	External independent director
% of executive directors		12.50%
% of proprietary directors		0%
% of independent directors		75%
% of other external directors		12.50%

Innovation and technology committee

Name	Position	Type
Ms Ana Botín-Sanz de Sautuola y O'Shea	Chairman	Executive director
Mr José Antonio Álvarez Álvarez	Member	Executive director
Mr Bruce Carnegie-Brown	Member	External independent director
Ms Homaira Akbari	Member	External independent director
Mr Ignacio Benjumea Cabeza de Vaca	Member	Other external director
Mr Guillermo de la Dehesa Romero	Member	Other external director
Ms Belén Romana García	Member	External independent director

Mr Henrique de Castro	Member	External independent director
% of executive directors		25.00%
% of proprietary directors		0%
% of independent directors		50.00%
% of other external directors		25.00%

C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years.

	Number of female directors							
	FY 2019		FY 2018		FY 2017		FY 2016	
	Number	%	Number	%	Number	%	Number	%
Audit committee	3	60.00%	2	50.00%	2	50.00%	2	50.00%
Responsible banking, sustainability and culture committee	5	62.50%	5	62.50%	—	—	—	—
Innovation and technology committee	3	37.50%	3	42.85%	4	44.40%	3	33.33%
Appointments committee	2	40.00%	1	25.00%	1	20.00%	1	20.00%
Remuneration committee	1	20.00%	1	20.00%	1	20.00%	2	40.00%
Risk supervision, regulation and compliance committee	2	40.00%	2	33.30%	2	33.30%	2	28.57%
Executive committee	2	28.50%	2	25.00%	1	14.29%	2	25.00%

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.2 List any significant transactions, by virtue of their amount or relevance, between the company or its group of companies and the company's significant shareholders:

Not applicable.

D.3 List any significant transactions, by virtue of their amount or relevance, between the company or its group of companies and the company's directors or executives:

Not applicable.

D.4 List any significant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Corporate name of the group company	Brief description of the transaction	Amount (EUR thousand)
Banco Santander (Brasil) S.A. (Cayman Islands Branch)	This chart shows the transactions and the results obtained by the Bank at 31 December 2019 with Group entities resident in countries or territories that were considered tax havens Pursuant to Spanish legislation, at such date. These results, and the balances indicated below, were eliminated in the consolidation process. See note 3 to the 2019 Consolidated financial statements for more information on off-shore entities. The amount shown on the right corresponds to positive results relating to contracting of derivatives (includes branches in New York and London of Banco Santander, S.A.) The referred derivatives had a net positive market value of EUR 226 million in the Bank and covered the following transactions: - 91 Non Delivery Forwards. - 167 Swaps. - 165 Cross Currency Swaps. - 102 Forex.	56,353
	The amount shown on the right corresponds to negative results relating to deposits with the New York branch of Banco Santander, S.A. (liability). These deposits had a principal of EUR 908 million at 31 December 2019.	20,892
	The amount shown on the right corresponds to positive results relating to deposits with the London branch of Banco Santander, S.A. (asset). These deposits had a principal of EUR 118 million at 31 December 2019.	3,779
	The amount shown on the right corresponds to positive results relating to fixed income securities - subordinated instruments (asset). This relates to the investment in November 2018 in two subordinated instruments (Tier I Subordinated Perpetual Notes and Tier II Subordinated Notes due 2028) with an amortised cost of EUR 2.247 million as at 31 December 2019.	148,862
	The amount shown on the right corresponds to negative results relating to interests and commissions concerning correspondent accounts (includes Hong Kong branch of Banco Santander, S.A.) (liability). This relates to correspondent accounts with a credit balance of EUR 42 million at 31 December 2019.	463

D.5 List any significant transactions, by virtue of their amount or relevance, between the company or its group and other related parties, not reported in the previous sections.

Not applicable.

D.7 Is more than one group company listed in Spain?

Yes No

G. DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the good governance code for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies Explain

2. When a parent company and a subsidiary are both listed, the two provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Complies Partially complies Explain Not applicable

3. During the AGM the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Complies Partially complies Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisers that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies Partially complies Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

And that whenever the board of directors approves an issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable mercantile law.

Complies Partially complies Explain

Our 2018 AGM authorised the board to increase share capital with the authority to exclude pre-emptive rights for shareholders, with a limit of 20% of the share capital. This limit is further reduced to 10% of the share capital in connection with capital increases to convert bonds or other convertible securities or instruments. As an exception, these limits for the issuance without pre-emptive rights do not apply to capital increases to allow the potential conversion of contingent convertible preferred securities (which can only be converted into newly-issued shares when the CET1 ratio falls below a pre-established threshold).

The board of directors is proposing to have this authority renewed at our 2020 AGM as it may expire before we hold our 2021 AGM. The Bank publishes in its website the reports relating to the exclusion of pre-emptive rights when it makes use of this authority in the terms established in the recommendation. See section 2.2 '[Authority to increase capital](#)'.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the AGM, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the appointments and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Complies Partially complies Explain

7. The company should broadcast its general meetings live on the corporate website.

Complies Explain

8. The audit committee should strive to ensure that the board of directors can present the Company's accounts to the general meeting without limitations or qualifications in the auditor's

report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies Partially complies Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies Partially complies Explain

10. When a shareholder so entitled exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the standard attendance card or proxy appointment or remote voting form, duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies Partially complies Explain Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies Partially complies Explain Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies Partially complies Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies Explain

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.

c) Favors a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should carry an annual verification on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies **Partially complies** **Explain**

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies **Partially complies** **Explain**

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies **Explain**

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies **Explain**

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Complies **Partially complies** **Explain**

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies **Partially complies** **Explain** **Not applicable**

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the number of the latter should be reduced accordingly.

Complies **Partially complies** **Explain** **Not applicable**

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies **Explain**

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies **Partially complies** **Explain**

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies Partially complies Explain Not applicable

24. Directors who leave before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complies Partially complies Explain Not applicable

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board rules and regulations should lay down the maximum number of company boards on which directors can serve.

Complies Partially complies Explain

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies Partially complies Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies Partially complies Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes book if the person expressing them so requests.

Complies Partially complies Explain Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies Partially complies Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies Explain Not applicable

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or obtain the information they consider appropriate.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies Partially complies Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies Partially complies Explain

33. The chairman, as the person responsible for the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, of the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies Partially complies Explain

34. When a lead independent director has been appointed, the bylaws or the Rules and regulations of the board of directors should grant him or her the following powers over and above those conferred by law: to chair the board of directors in the absence

of the chairman or vice chairman; to give voice to the concerns of non-executive directors; to maintain contact with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and to coordinate the chairman's succession plan.

Complies Partially complies Explain Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competencies.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies Partially complies Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies Partially complies Explain Not applicable

The secretary of the executive committee is the secretary of the board. While the distribution of categories of directors in the executive committee is not exactly the same as in the board, the Bank considers it complies with the spirit of the recommendation since the current composition reflects all categories of directors, including a majority of external directors and three independent directors, but retaining all executive directors to maintain the efficiency in the discharge of the executive functions of the committee. Moreover, based on said reasons of efficiency and adequate functioning of the executive committee, the CNMV has proposed to amend this recommendation so that the committee is composed of at least two external directors, at least one of which should be independent. If this proposal had been already approved, we would be fully complying with this recommendation.

38. The board should be kept fully informed of the matters discussed and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies Partially complies Explain Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee seats should be held by independent directors.

Complies Partially complies Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies Partially complies Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies Partially complies Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information of the company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor, does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material fact, accompanied by a statement of any disagreements arising with the outgoing auditor and if applicable, the contents thereof.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provisions of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies Partially complies Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another manager.

Complies Partially complies Explain

44. The audit committee should be informed of any structural changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies Partially complies Explain Not applicable

45. The risk control and management policy should identify at least:

- a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational risks), the company is exposed to, with the inclusion under financial or economic, risks of contingent liabilities and other off-balance-sheet risks.
- b) The setting of the risk level that the company deems acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies Partially complies Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other specialised board committee. This internal department or unit should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies Partially complies Explain

47. Members of the appointments and remuneration committee-or of the appointments committee and remuneration committee, if separately constituted - should be chosen procuring they have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies Partially complies Explain

48. Large cap companies should have formed separate appointments and remuneration committees.

Complies Explain Not applicable

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Complies Partially complies Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies Partially complies Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies Partially complies Explain

52. The rules regarding composition and functioning of supervision and control committees should be set out in the regulations of the board of directors and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies Partially complies Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a special committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of other stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in this respect.
- f) Monitor and evaluate the company's interaction with its stakeholders.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies Partially complies Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relating to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies Partially complies Explain

55. The company should report on corporate social responsibility developments in its management's report or in a separate document, using an internationally accepted methodology.

Complies Partially complies Explain

56. Director remuneration should be sufficient to attract and retain directors with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement accounts or any other retirement plan should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies Partially complies Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the achievement of short, medium and long-term targets, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one off, occasional or extraordinary events.

Complies Partially complies Explain Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies Partially complies Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies Partially complies Explain Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies Partially complies Explain Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies **Partially complies** **Explain** **Not applicable**

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies **Partially complies** **Explain** **Not applicable**

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration, and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies **Partially complies** **Explain** **Not applicable**

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes **No**

I declare that the information included in this statistical annex are the same and are consistent with the descriptions and information included in the annual corporate governance report published by the company.

9.3 Table on compliance with or explanations of recommendations on corporate governance

Recommendation	Comply / Explain	Information
1	Comply	See section 3.2 .
2	Not applicable	See ' Group companies ' in section 4.12 .
3	Comply	See section 3.1 .
4	Comply	See section 3.1 .
5	Partially comply	<p>Our 2018 AGM, authorised the board to increase share capital with the authority to exclude pre-emptive rights for shareholders, with a limit of 20% of the share capital. This limit is further reduced to 10% of the share capital in connection with capital increases to convert bonds or other convertible securities or instruments. As an exception, these limits for the issuance without pre-emptive rights do not apply to capital increases to allow the potential conversion of contingent convertible preferred securities (which can only be converted into newly-issued shares when the CET1 ratio falls below a pre-established threshold).</p> <p>The board of directors is proposing to have this authority renewed at our 2020 AGM as it may expire before we hold our 2021 AGM. The Bank publishes in its website the reports relating to the exclusion of pre-emptive rights when it makes use of this authority in the terms established in the recommendation. See section 2.2.</p>
6	Comply	See sections 4.5 , 4.6 , 4.7 , 4.8 , 4.9 , 4.10 , 4.12 and ' Responsible Banking ' chapter.
7	Comply	See section 3.6 .
8	Comply	See section 4.5 .
9	Comply	See ' Participation of shareholders at the GSM ' in section 3.2 .
10	Comply	See section 3.2 .
11	Not applicable	See section 3.6 .
12	Comply	See section 4.3 .
13	Comply	See ' Size ' in section 4.2 .
14	Comply	See ' Election, renewal and succession of directors ' and ' Diversity ' in section 4.2 .
15	Comply	See ' Composition by type of director '; ' Independent non-executive directors ' and ' Election, renewal and succession of directors ' in section 4.2 .
16	Comply	See ' Composition by type of director ' in section 4.2 .
17	Comply	See ' Composition by type of director '; ' Independent non-executive directors ' and ' Election, renewal and succession of directors ' in section 4.2 .
18	Comply	See ' Corporate website ' in section 3.1 and section 4.1 .
19	Comply	See ' Composition by type of director ' and ' Tenure, committee membership and equity ownership ' in section 4.2 .
20	Comply	See ' Election, renewal and succession of directors ' in section 4.2 .
21	Comply	See ' Election, renewal and succession of directors ' in section 4.2 .
22	Comply	See ' Election, renewal and succession of directors ' in section 4.2 .
23	Comply	See ' Election, renewal and succession of directors ' in section 4.2 .
24	Comply	See ' Election, renewal and succession of directors ' in section 4.2 .
25	Comply	See ' Board and committees attendance ' in section 4.3 and in section 4.6 .
26	Comply	See ' Proceedings of the board ' and ' Board and committees attendance ' in section 4.3 .
27	Comply	See ' Proceedings of the board ' and ' Board and committees attendance ' in section 4.3 .
28	Comply	See ' Proceedings of the board ' in section 4.3 .
29	Comply	See ' Proceedings of the board ' in section 4.3 .
30	Comply	See ' Training of directors and induction programme for new directors ' in section 4.3 .
31	Comply	See ' Rules and regulations of the board ' and ' Board and committees attendance ' in section 4.3 .
32	Comply	See section 3.1 .
33	Comply	See ' Proceedings of the board '; ' Training of director and induction program for new directors ' and ' Assessment of the board ' in section 4.3 .
34	Comply	See ' Lead independent director ' in section 4.3 .
35	Comply	See ' Secretary of the board ' in section 4.3 .
36	Comply	See ' Assessment of the board ' in section 4.3 .

Recommendation	Comply / Explain	Information
37	Partially comply	The secretary of the executive committee is the secretary of the board. While the distribution of categories of directors in the executive committee is not exactly the same as in the board, the Bank considers it complies with the spirit of the recommendation since the current composition reflects all categories of directors, including a majority of external directors and three independent directors, but retaining all executive directors to maintain the efficiency in the discharge of the executive functions of the committee. Moreover, based on said reasons of efficiency and adequate functioning of the executive committee, the CNMV has proposed to amend this recommendation so that the committee is composed of at least two external directors, at least one of which should be independent. If this proposal is approved, we will fully comply with this recommendation. See section 4.4 .
38	Comply	See section 4.4 .
39	Comply	See ' Composition ' and ' Duties and activities in 2019 ' in section 4.5 .
40	Comply	See ' Duties and activities in 2019 ' in section 4.5 .
41	Comply	See ' Duties and activities in 2019 ' in section 4.5 .
42	Comply	See ' Duties and activities in 2019 ' in section 4.5 .
43	Comply	See ' How the committee works ' in section 4.3 .
44	Comply	See ' Duties and activities in 2019 ' in section 4.5 .
45	Comply	See ' Duties and activities in 2019 ' in section 4.5 and ' Duties and activities in 2019 ' in section 4.8 .
46	Comply	See ' Duties and activities in 2019 ' in section 4.5 and ' Duties and activities in 2019 ' in section 4.8 .
47	Comply	See ' Composition ' in section 4.6 and ' Composition ' in section 4.7 .
48	Comply	See ' Board committees structure ' in section 4.3 .
49	Comply	See ' Duties and activities in 2019 ' in section 4.6 .
50	Comply	See ' Duties and activities in 2019 ' in section 4.7 .
51	Comply	See ' Duties and activities in 2019 ' in section 4.7 .
52	Comply	See ' Rules and regulations of the board ' in section 4.3 and sections 4.5 , and 4.8 .
53	Comply	See ' Duties and activities in 2019 ' in section 4.6 and ' Duties and activities in 2019 ' in section 4.9 .
54	Comply	See section 4.9 and ' Responsible Banking ' chapter.
55	Comply	See section 4.9 and ' Responsible Banking ' chapter.
56	Comply	See sections 6.2 and 6.3 .
57	Comply	See sections 6.2 and 6.3 .
58	Comply	See section 6.3 .
59	Comply	See section 6.3 .
60	Comply	See section 6.3 .
61	Comply	See section 6.3 .
62	Comply	See section 6.3 .
63	Comply	See section 6.3 .
64	Comply	See sections 6.1 and 6.3 .

9.4 Reconciliation to the CNMV's remuneration report model

Section in the CNMV model	Included in statistic	Further information elsewhere and comments
A. Remuneration policy for the present fiscal year		
A.1	No	<ul style="list-style-type: none"> See section 6.4. See sections 4.7 and 6.5. See 'Summary of link between risk, performance and reward' in section 6.3.
A.2	No	See section 6.4 .
A.3	No	See section 6.4 .
A.4	No	See section 6.5 .
B. Overall summary of application of the remuneration policy over the last fiscal year		
B.1	No	See sections 6.1 , 6.2 , and 6.3 .
B.2	No	See 'Summary of link between risk, performance and reward' in section 6.3 .
B.3	No	See sections 6.2 and 6.3 .
B.4	No	See section 6.5 .
B.5	No	See section 6.2 and 6.3 .
B.6	No	See 'Gross annual salary' in section 6.3 .
B.7	No	See 'Variable remuneration' in section 6.3 .
B.8	No	Not applicable.
B.9	No	See 'Main features of the benefit plans' in section 6.3 .
B.10	No	See 'Other remuneration' in section 6.3 .
B.11	No	See 'Terms and conditions of executive directors' contracts' in section 6.4 .
B.12	No	No remuneration for this component.
B.13	No	See note 5 to the consolidated financial statements.
B.14	No	See 'Insurance and other remuneration and benefits in kind' in section 6.4 .
B.15	No	See 'Remuneration of board members as representatives of the Bank' in section 6.3 .
B.16	No	No remuneration for this component.
C. Breakdown of the individual remuneration of directors		
C	Yes	See section 9.5 .
C.1 a) i)	Yes	See section 9.5 .
C.1 a) ii)	Yes	See section 9.5 .
C.1 a) iii)	Yes	See section 9.5 .
C.1 a) iii)	Yes	See section 9.5 .
C.1 b) i)	Yes	See section 9.5 .
C.1 b) ii)	No	Not awarded.
C.1 b) iii)	No	Not awarded.
C.1 b) iv)	No	Not awarded.
C.1 c)	Yes	See section 9.5 .
D. Other information of interest		
D	No	See section 4.7 .

9.5 Statistical information on remuneration required by the CNMV

B. OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR ENDED

B.4 Report on the result of consultative vote at General Shareholders' Meeting on annual report on remuneration from previous year, indicating the number of votes against, as the case may be.

	Number	% of total
Votes cast	10,740,924,312	96,57%

	Number	% of total
Votes against	598,890,812	5.38%
Votes in favour	10,130,003,843	91.07%
Abstentions	381,915,614	3.43%

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Directors	Type	Period of accrual in year 2019
Ms Ana Botín-Sanz de Sautuola y O'Shea	Executive	From 01/01/2019 to 31/12/2019
Mr José Antonio Álvarez Álvarez	Executive	From 01/01/2019 to 31/12/2019
Mr Bruce Carnegie-Brown	Independent	From 01/01/2019 to 31/12/2019
Mr Rodrigo Echenique Gordillo	Executive Independent	From 01/01/2019 to 30/04/2019 From 01/05/2019 to 31/12/2019
Mr Guillermo de la Dehesa Romero	Other external	From 01/01/2019 to 31/12/2019
Ms Homaira Akbari	Independent	From 01/01/2019 to 31/12/2019
Mr Ignacio Benjumea Cabeza de Vaca	Other external	From 01/01/2019 to 31/12/2019
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea	Other external	From 01/01/2019 to 31/12/2019
Ms Sol Daurella Comadrán	Independent	From 01/01/2019 to 31/12/2019
Ms Esther Giménez-Salinas i Colomer	Independent	From 01/01/2019 to 31/12/2019
Ms Belén Romana García	Independent	From 01/01/2019 to 31/12/2019
Mr Ramiro Mato García-Ansorena	Independent	From 01/01/2019 to 31/12/2019
Mr Álvaro Cardoso de Souza	Independent	From 01/01/2019 to 31/12/2019
Mr Henrique Manuel Drummond Borges Cirne de Castro	Independent	From 17/07/2019 to 31/12/2019
Mrs Pamela Ann Walkden	Independent	From 29/10/2019 to 31/12/2019
Mr Carlos Fernández González	Independent	From 01/01/2019 to 28/10/2019

C.1 Complete the following tables on individual remuneration of each director (including the remuneration for exercising executive functions) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total year 2019	Total year 2018
Ms Ana Botín-Sanz de Sautuola y O'Shea	90	59	185	3,176	2,084	—	—	525	6,119	6,245
Mr José Antonio Álvarez Álvarez	90	53	170	2,541	1,393	—	—	710	4,957	4,949
Mr Bruce Carnegie-Brown	393	87	220	—	—	—	—	—	700	732
Mr Rodrigo Echenique Gordillo	90	56	73	600	640	—	1,800	667	3,926	3,349
Mr Guillermo de la Dehesa Romero	90	89	220	—	—	—	—	—	399	441
Ms Homaira Akbari	90	81	55	—	—	—	—	—	226	199
Mr Ignacio Benjumea Cabeza de Vaca	90	93	250	—	—	—	—	91	524	513
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea	90	47	—	—	—	—	—	—	137	121
Ms Sol Daurella Comadrán	90	85	65	—	—	—	—	—	240	215
Ms Esther Giménez-Salinas i Colomer	90	79	59	—	—	—	—	—	228	196
Ms Belén Romana García	160	100	265	—	—	—	—	—	525	414
Mr Ramiro Mato García-Ansorena	140	95	265	—	—	—	—	—	500	450
Mr Álvaro Cardoso de Souza	160	61	55	—	—	—	—	—	276	148
Mr Henrique Manuel Drummond Borges Cirne de Castro	41	33	12	—	—	—	—	—	86	—
Mrs Pamela Ann Walkden	16	11	7	—	—	—	—	—	34	—
Mr Carlos Fernández González	74	65	75	—	—	—	—	—	214	266
Mr Juan Miguel Villar Mir	—	—	—	—	—	—	—	—	—	108

Name	Name of Plan	Financial instruments at start of year 2019		Financial instruments granted at start of year 2019		Financial instruments consolidated during 2019				Instruments matured but not exercised	Financial instruments at end of year 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (EUR thousand)			No. of instruments
	1st cycle of deferred variable remuneration plan linked to multi-year targets (2016)	108,134	108,134	—	—	—	—	—	—	—	108,134	108,134
Mr Rodrigo Echenique Gordillo	2nd cycle of deferred variable remuneration plan linked to multi-year targets (2017)	107,764	107,764	—	—	—	—	—	—	—	107,764	107,764
	3rd cycle of deferred variable remuneration plan linked to multi-year targets (2018)	164,462	164,462	—	—	—	—	—	—	—	164,462	164,462
	4th cycle of deferred variable remuneration plan linked to multi-year targets (2019)	—	—	272,480	272,480	174,386	174,386	3.670	640	—	98,094	98,094

Comments

The amount corresponding to the 1st cycle of deferred variable remuneration plan linked to multi-year targets (2016) includes the maximum amount of shares that may be delivered at end of year 2019. The final amount of consolidated shares to be delivered, after approval by the board of directors of January 2020 of the degree of compliance with metrics linked to this plan, will be included, as consolidated shares, in the Consolidated Annual Report at 31 December 2020. These shares shall be delivered in thirds, in 2020, 2021 and 2022.

III) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system
Ms Ana Botín-Sanz de Sautuola y O'Shea	1,145
Mr José Antonio Álvarez Álvarez	858
Mr Rodrigo Echenique Gordillo	—

Contribution over the year from the company (EUR thousand)

Name	2019		2018		Amount of accumulated funds (EUR thousand)			
			Savings systems with unconsolidated economic rights		2019		2018	
	2019	2018	2019	2018	Systems with consolidated economic rights	Systems with unconsolidated economic rights	Systems with consolidated economic rights	Systems with unconsolidated economic rights
Ms Ana Botín-Sanz de Sautuola y O'Shea	1,145	1,234	—	—	48,104	—	46,093	—
Mr José Antonio Álvarez Álvarez	858	1,050	—	—	17,404	—	16,630	—
Mr Rodrigo Echenique Gordillo	—	—	—	—	13,268	—	13,614	—

iv) Details of other items (EUR thousand)

Name	Item	Amount remunerated
Ms Ana Botín-Sanz de Sautuola y O'Shea	Life and accident insurance and fixed remuneration supplement insurance	323
	Other remuneration	283

Name	Item	Amount remunerated
Mr José Antonio Álvarez Álvarez	Life and accident insurance and fixed remuneration supplement insurance	579
	Other remuneration	483

Name	Item	Amount remunerated
Mr Rodrigo Echenique Gordillo	Life and accident insurance	167
	Other remuneration	141

b) Remuneration of the company directors for seats on the boards of other group companies:

i) Remuneration in cash (EUR thousand)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total year 2019	Total year 2018
Mr Álvaro Cardoso de Souza	372	24	—	—	—	—	—	1	397	354

ii) Table of changes in share/based remunerations schemes and gross profit from consolidated shares of financial instruments

Not applicable

iii) Long term saving systems

Not applicable

iv) Detail of other items (EUR thousand)

Not applicable

c) Summary of remuneration (EUR thousand)

The summary should include the amounts corresponding to all the items of remuneration included in this report that have been accrued by the director, in thousand euros.

Name	Remuneration accrued in the company					Remuneration accrued in group companies						
	Total cash remuneration	Gross profit on consolidated shares or financial instruments	Contributions to the long-term savings plan	Remuneration for other items	Total 2019	Total 2018	Total cash remuneration	Gross profit on consolidated shares or financial instruments	Contributions to the long-term savings plan	Remuneration for other items	Total 2019	Total 2018
Ms Ana Botín-Sanz de Sautuola y O'Shea	6,119	2,084	1,145	606	9,954	11,011	—	—	—	—	—	—
Mr José Antonio Álvarez Álvarez	4,957	1,393	858	1,062	8,270	9,001	—	—	—	—	—	—
Mr Bruce Carnegie-Brown	700	—	—	—	700	732	—	—	—	—	—	—
Mr Rodrigo Echenique Gordillo	3,926	640	—	308	4,874	5,095	—	—	—	—	—	—
Mr Guillermo de la Dehesa Romero	399	—	—	—	399	441	—	—	—	—	—	—
Ms Homaira Akbari	226	—	—	—	226	199	—	—	—	—	—	—
Mr Ignacio Benjumea Cabeza de Vaca	524	—	—	—	524	513	—	—	—	—	—	—
Mr Francisco Javier Botín-Sanz de Sautuola y O'Shea	137	—	—	—	137	121	—	—	—	—	—	—
Ms Sol Daurella Comadrán	240	—	—	—	240	215	—	—	—	—	—	—
Ms Esther Giménez-Salinas i Colomer	228	—	—	—	228	196	—	—	—	—	—	—
Ms Belén Romana García	525	—	—	—	525	414	—	—	—	—	—	—
Mr Ramiro Mato García-Ansorena	500	—	—	—	500	450	—	—	—	—	—	—
Mr Álvaro Cardoso de Souza	276	—	—	—	276	148	397	—	—	—	397	—
Mr Henrique Manuel Drummond Borges Cirne de Castro	86	—	—	—	86	—	—	—	—	—	—	—
Mrs Pamela Ann Walkden	34	—	—	—	34	—	—	—	—	—	—	—
Mr Carlos Fernández González	214	—	—	—	214	266	—	—	—	—	—	—
Mr Juan Miguel Villar Mir	—	—	—	—	—	108	—	—	—	—	—	—
Total	19,091	4,117	2,003	1,976	27,187	28,910	397	—	—	—	397	—

This annual report on remuneration has been approved by the board of directors of the company, at its meeting on 27 February 2020.

State if any directors have voted against or abstained from approving this report.

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