



SUSTAINABILITY
REPORT
2016

*A responsible
and sustainable
Bank*





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Santander: a responsible and sustainable bank

Banco Santander carries out its business activities in a responsible manner, while contributing to the economic and social progress of the communities in which the Bank is present, taking into account its environmental impact.



Our purpose

To help **people** and **businesses prosper**.



Vision

To be the **best retail and commercial bank**, one that earns the **lasting loyalty** of our **people, customers, shareholders and communities**.



Our way of doing things

Simple, personal, fair.



Responsible with our stakeholders

- We attract, retain and engage the best talent.
- We forge long-term relationships with our customers built on trust.
- We offer a dividend with an attractive and sustainable shareholder return.
- We maintain stable relations with our suppliers.



Committed to social and economic progress

- We are strongly committed to higher education as the main focus of our investment in society. We also contribute to the progress of our local communities through initiatives to support child education, enterprise and job creation, financial education and art and culture.

Our virtuous circle



People

188,492

professionals



Customers

125

million



Communities

1.7

million people helped*



36,684

scholarships granted



1,183

agreements with universities and other academic institutions in 21 countries



Shareholders

3.9

million

* Refers to the number of people helped through social investment programmes and social and/or environmental products and services. This does not include Santander Universities.

A distinctive business model



1 The Bank's 125 million customers

and solid presence in 10 key markets drive profitable growth.



2 The Bank's geographic diversification

generates predictable profits, which means lower capital needs.



3 The collaboration-based subsidiaries model

drives efficiency and excellence of service.



Message from Ana Botín

Our purpose is to help people and businesses prosper.

Once again, we delivered on all our promises and did so in the right way. We made excellent progress against our long-term strategic goals.

In 2016, we lent more and improved service to our customers, earned more for our shareholders and supported our employees and communities in a sustainable, inclusive way.

Our achievements in 2016 reflect the strength and resilience of the Santander model and the efforts of all 190,000 of our colleagues:

- We increased lending to our customers by €16 billion.
- We continued to invest in technology, maintaining our 'best in class' efficiency while also improving customer service.
- We further strengthened our corporate governance and risk model and increased our Common Equity Tier 1 (CET1 Fully Loaded) capital by 3 billion euros, reaching a ratio of 10.55%, exceeding our target.
- We maintained our position as one of the most profitable banks in the world, with an underlying return on tangible equity of 11.1%, higher earnings per share of €0.41 (up 1%) and a cash dividend per share rising to €0.17 (up 8%). Our total net asset value per share also grew in 2016 by 15c to 4.22 euros.

The market is recognizing our progress, as shown by the total shareholder return of +14% for our shares in 2016.

We also worked hard to improve how we work:

Our success at this time of exponential change will depend on an ever stronger culture where customers come first, uniting our banks in Europe and the Americas.

By making better use of technology and collaborating more effectively across the Santander Group, we are making it easier than ever for our clients to travel, to trade and to fulfill their financial needs.

Greater collaboration among countries and people is critically important to increasing prosperity for all.

We made further progress in ensuring that everything we do is more simple, personal and fair.

We are strengthening the links between our core markets and producing tangible benefits of working across the group, both for our customers and for our shareholders.

Our strategic progress in 2016

Our aim is to become the best retail and commercial bank, earning the lasting loyalty of our people, customers, shareholders and communities.



In 2016 we have achieved all our goals

Lending to customers
+16,000
billion euros

Best in class efficiency
48%
cost to income ratio

FL CET1
10.55%
(+50 pb)

Underlying RoTE
11.1%

Cash dividend per share
0.17 euros
(+8%)

“Santander now ranks among the top 3 banks for customer service in all but one of our 9 core countries. This was one of our key strategic goals for 2018. We achieved it in 2016”.

A circle


190,000
employees


Serve
125
million customers


Deliver for
3.9
million shareholders


Helping
1.7
million people

Customers

This year, we earned the trust of 4 million new customers, raising our total number of customers to 125 million. We did this by improving the service and products we offer in every one of our ten core markets.

Our 1213 strategy is based on creating customer value, which leads to attractive financial returns as these customers do more business with us.

It is not a product strategy or market share driven. And it is a profound change from the strategy Santander pursued in the past in Spain. It drives stable long terms relationships, as 1213 customers consider Santander their primary bank. It hence drives stable, current account balance growth.

In the UK the 1213 strategy has fundamentally changed our bank, from relying on volatile and expensive savings customers, to real banking customers, in just 5 years.

As the English say, “the proof is in the pudding”. Santander UK current account balances grew from £12 billion to £65 billion, after being stuck at £12 billion for many years, and we have gained an average of 420,000 loyal customers per year during that period.

Within this customer group, among other financial benefits, our cost of credit is a quarter of what it was in 2011. We have also improved savings margins as these customers did more of their business with us at lower cost.

In Spain the strategy is similar but not identical, as our teams and services are able to develop relationships faster and therefore are already growing fees, in a declining market - not by raising fees but by growing the number of customers that bank with us.

In 2016, our 32% loyal customers growth drove a 6% growth in fees, with 50% of the commercial activity concentrated in 1213 customers, who buy 1.7 times more products and services than the rest.

Similar strategies adapted to local conditions have been launched in Mexico, Brazil, Portugal and other markets, based on the same principles of adding value to our customers, transparency and excellence in service, as the way to achieve profitable growth. These principles are the core of our Loyal and Digital customer strategy.

Thanks to the Group’s investment in technology, the number of customers using our digital banking services rose by more than 25% in 2016 to just under 21 million.

Santander now ranks among the top 3 banks for customer service in all but one of our 9 core countries. This was one of our key strategic goals for 2018. We achieved it in 2016.

Our technology is allowing us to improve customer service while ensuring our cost income ratio, a measure of efficiency, remains among the best in our industry.

Great products, great service and great value lead to loyal customers. In 2016 the number of people who consider Santander

their primary bank rose by 1.4 million to 15.2 million. Loyal customers do more business with us, which means our fee income from value-adding services rose by 8.1%.

We also agreed or completed three transactions which will allow us to serve more customers and continue to deliver profitable growth in the medium term in our core markets:

- We integrated Banif in Portugal – a deal that has helped us increase the return on tangible equity in our Portuguese franchise to a best-in-class 13%.
- We reached an agreement to acquire Citigroup’s retail assets in Argentina – enabling us to increase our market share and strengthen our franchise in a significant growth market.
- And most recently, we agreed to purchase the outstanding 50% stake in Santander Asset Management. This will allow us to expand our asset management business and the range of our offerings to customers.

People

The talent and motivation of our 190,000 employees are the foundations for our success. Implementing a strong, common culture and purpose across the Group remains the main priority of the new management team.

We aim to be one of the top 3 banks to work for in the majority of our geographies. We have now achieved that goal in four of our ten core markets.

Our annual employee engagement survey is a valuable tool in listening to the views of our people and ensuring we take action to improve. The results this year show we are on the right path, as more than three quarters of our teams support our Simple|Personal|Fair culture.

We have a clear plan for continuous improvement in corporate behaviors and our remuneration will be significantly determined by our progress.

During 2016 we completed a significant restructuring process in a number of business areas to further improve our efficiency and operational excellence. While these processes are never easy, we have done our best to manage the exits of some of our people in a way that is fair to all, investing for the future.

Community

While delivering for our teams and on our financial and commercial targets is essential, making sure that we achieve our goals in the right way is even more important, as it ensures sustainability and continuous customer value creation.

This means supporting a culture that rewards the behaviors we believe to be right, encouraging colleagues to speak up, actively collaborate, and embrace change.

It means building a business that aims high, that our customers, people and shareholders can rely on in the long term. And it means taking our responsibilities to the communities we serve seriously.



“Our critical mass and retail-commercial model, focused in 10 markets in Europe and the Americas, has allowed us to deliver more predictable earnings than our peers across the cycle, even in adverse macro-economic conditions”.

Banco Santander's International Advisory Board

Chairman

Mr Larry Summers
Former US Treasury Secretary and President Emeritus of Harvard University

Members

Ms Sheila Bair
Former Chair of the Federal Deposit Insurance Corporation and President of Washington College

Mr George Kurtz
CEO and co-founder of CrowdStrike

Mr Charles Phillips
CEO of Infor and former President of Oracle

Ms Marjorie Scardino
Former CEO of Pearson and member of the Board of Directors of Twitter

Mr Francisco D'Souza,
CEO of Cognizant and director of General Electric

Ms Blythe Masters
CEO of Digital Asset Holdings

Mr Mike Rhodin
Senior Vice President of IBM Watson

Mr James Whitehurst
CEO of Red Hat

Secretary

Mr Jaime Pérez Renovales

This year Santander was recognized by the Dow Jones Sustainability Index as the best bank in Europe for our commitment to sustainability, contribution to social progress and for our protection of the environment.

I am extremely proud of the work we have done in 2016 to support our communities and there are a number of initiatives I would like to highlight:

- In 2016 we further increased our support for universities across all the markets in which we operate. We are now in partnership with 1,200 universities, providing more than 35,000 scholarships and grants.
- Across Latin America we have supported 250,000 micro finance projects.
- More than 60,000 employees took part in volunteering programmes during the year. These ranged from financial education for students, the elderly and people on low incomes in Europe to support for childhood education in Brazil, where 4,000 employees worked to improve learning in 214 schools.
- In Spain, our coaching and mentoring programmes helped the disadvantaged, the socially excluded, and victims of gender violence to improve their skills and find jobs.

Shareholders

Our critical mass and retail-commercial model, focused in 10 markets in Europe and the Americas, have allowed us to de-

liver more predictable earnings than our peers across the cycle, even in adverse macro-economic conditions.

We proved this yet again in 2016 as we increased our revenues with strong growth in fee income and improvements in credit quality. Together with our focus on costs, this delivered an increase in our attributable net profit of 4%, to 6,204 million.

Our local operating performance was even better, as excluding one-off items and currency movements, our underlying profit before tax in constant Euros rose by 12%.

The strength of our business model and our ability to generate profits year after year are starting to be recognized by the European Central Bank. In December, following its Supervisory Review and Evaluation Process (SREP), it decided to reduce the amount of capital we are required to hold as a proportion of our assets.

Strong corporate governance is at the core of prudent risk management. It is critically important to ensuring the sustainability of any business.

In April the Group held the first meeting of its International Advisory Board (IAB), a group of CEO's and leaders with expertise in strategy, technology and innovation. The IAB's focus is on digital transformation, cyber security and how to apply new technologies to improve service and do so efficiently.

And in September we were delighted to announce the appointment of Homaira Akbari

as a new independent member of our Board of Directors. Homaira is a distinguished scientist, technologist and business leader. She has deep experience in developing and implementing the most advanced technology at scale and will help us further advance our digital transformation.

Her appointment strengthens the Board's international and technology expertise and brings the proportion of women on the Board to 40% - one of the highest in international banking.

I would like to take the opportunity to thank Angel Jado for his dedication and outstanding contribution to our Board for many years, and wish him every success for the future.

And I would like to recognize the hard work and commitment of all our Group and Subsidiary banks Board members, and thank them for their continued support throughout the past year.

Our unique opportunities for growth

I am proud of our team's progress this past year. In 2016, we delivered strong operational performance in all our businesses and at Group level, as well as reaching or exceeding our cost of equity in 95% of the group's investments. But we can do much more and much better.

The Santander business model is built upon strong foundations, well suited for the world ahead of us:

- We serve the financial needs of 125 million customers. We have critical mass in 10 markets with one billion people, which drives profitable growth.
- Geographic diversification leads to more predictable earnings and means we require a less capital intensive model than our global peers.
- Our subsidiary model allows us to be close to our customers and our strong culture of working together drives efficiency and service excellence.

The proof is our predictability.

We are one of only three major international banks to remain profitable throughout the crisis.

The European Banking Authority's stress tests this year show Santander to be the most resilient bank among our peers.

We have increased our core capital by €17 billion and have grown our profits by 40% over the past three years.

We have paid dividends consistently for more than 50 years.

And we generate among the most stable and growing earnings per share among our peers.

But what matters looking forward is our great potential for organic growth. This is why I am confident Santander will be one of the winning companies over the next decade.

"The Santander business model is built upon strong foundations".



1 Serving 125 MM customers

financial needs, with critical mass in 10 markets with c.1 Bn people drives profitable growth.



2 Geographic diversification

drives predictability of earnings=less capital.



3 Subsidiary model

with strong culture of working together drives efficiency and service excellence.



“As a management team, we are totally committed to embedding our behaviors and leading by example. Commercial and financial performance is a given. But what will make us a winner is our culture.”

Looking forward...

The UK's vote to leave the EU and Donald Trump's victory in the US presidential elections confounded most expert predictions in 2016. And we have considered these and other potential unexpected international outcomes as we develop our plans.

For the next few years the effect of Brexit on our UK business will be as a consequence of anticipated slower growth in the economy as well as the weaker sterling effect on translation of our earnings.

However our strong balance sheet of prime mortgages and primary banking relationships allows us to be confident we will continue to deliver around or above our cost of capital.

Brazil should return to positive growth, after two years of recession, thanks to a sound set of economic reforms. It is a country with 220 million people and a large and growing middle class. Spain is expected to remain at the forefront of Europe's recovery. The UK will continue to play a key role in the global economy. And Mexico's government has shown it can manage through challenging times.

Our performance the past year, for example, in Portugal (€399 million, +33%) or Argentina (€359 million, +52%) shows that we can do very well for our customers and shareholders even when the macro conditions are not ideal. But we would always rather have the macroeconomic winds behind us.

Santander Brazil earned €1,79 billion in profits and is the single largest earnings contributor to Group. For the last two years, we delivered a return on tangible equity of 14%, despite an adverse economic environment: net profit to the Group grew by 15% in 2016 and did so in a sustainable way, adding 500,000 loyal customers and 2 million digital customers.

In the USA we have made regulatory progress, as we committed, we have improved how we manage the business and reduced risk.

At SBNA, we have lowered the cost of deposits, improved service and efficiency.

Our retail and commercial Bank in the USA - which represents 5% of our Group capital invested - will deliver significant growth over the next few years and I remain confident it will deliver considerable value to shareholders.

...through Active Collaboration

Our model of local subsidiary banks and teams, together with our ability to collaborate across countries gives us our “unfair advantage”. In a world which we anticipate being increasingly insular, this is a winning combination.

It leads to better outcomes for customers and value creation for shareholders.

We already do this better than most, as our best-in-class cost-to-income ratio demonstrates. But we can do more.

Allow me to share some examples: our new CRM (Customer Relationship Management) tool in Poland was first developed in Chile and then taken and improved by the UK. It has been deployed through our internal “open services” model and is now being implemented in México.

Santander Wallet is a single global solution for around 400,000 of our commercial clients. It allows them to use a single wallet for all payments and channels, and offers additional, real-time, value added services to help our customers build their business. It has been launched in Brazil and Spain and will soon be available in Mexico and Chile.

Our microcredits programme in Brazil, supported by an equally strong programme of financial education, has helped 129,000 entrepreneurs to start and grow their businesses.

We are now expanding microcredits to Mexico to bring many more people into the financial system and pursue our goal of sustainable, inclusive growth.

As a management team, we are totally committed to embedding our behaviors and leading by example.

Commercial and financial performance is a given.

But what will make us a winner is a culture that allows people to speak up, to embrace change, to accept diversity of all types, so that we can fully realize the potential in our teams and in our markets.

...and the trust of 125 million customers, in both developed and developing markets.

As I mentioned, we serve 125 million customers in ten core markets in Europe and the Americas that are home to more than 1 billion people. We have critical mass in all our markets. We have scale and we are in the right places. This represents a huge potential for value creation.

Our biometric technology, a joint project between Mexico and Brazil has made banking easier and more secure for 6 million customers in the past year. In the UK we have reduced the time it takes our customers to complete a mortgage application from up to 3 hours to less than 40 minutes, in a heavily regulated process.

We are collaborating with some of the most innovative FinTech startups through Santander Innoventures. And in H1 we will launch a new platform for Openbank, a digital bank in Spain which serves more than a million customers, with just 100 people and is already profitable.

Looking forward, through active collaboration, we have a unique opportunity for growth. To deliver on this opportunity we will invest in our people and in better use of technology, and we will work across the group to improve the customer experience and our efficiency.

Our eight corporate behaviors



Talk straight



Keep promises



Bring passion



Actively collaborate



Embrace challenge



Support people



Show respect



Truly listen

Going forward, we have many opportunities for profitable growth in Europe and the Americas, in an environment we anticipate will be volatile but generally better than 2016.



Priorities for 2017

- Increase the number of loyal customers by a further 1.8 million to 17 million
- Raise the number of digital customers to 25 million
- Broadly stable cost to income ratio
- Continue to strengthen our capital
- Increase value for our shareholders

Our strategic priorities and goals for 2017

We have clear goals for 2017: to increase our number of loyal customers by a further 1.8 million to 17 million, and keep developing our value-adding services.

We will continue to invest in technology to raise the number of digital customers to 25 million, while improving service and efficiency, aiming for a broadly stable cost to income ratio. And we will increasingly do it working across geographical boundaries.

Our aim is to continue to grow our capital by another 40bp whilst increasing our earnings and dividend per share and continuing to grow the value of our company, as measured by tangible net asset value per share. The delivery of our 2017 and 2018 goals will keep adding tangible net asset value to our shares.

Conclusion

2016 has not been an easy year, but we have delivered on our promises, and done so in the right way. Once again, we lent more, we earned more, and we became a better bank on every significant measure.

In a changing and complex environment, for the first time in years, we expect positive GDP growth in all of our markets in 2017.

The financial system plays an important role in supporting economic growth. And the Santander model is based on supporting this

growth by maintaining appropriate capital levels, strong corporate governance and prudent risk management.

These are uncertain times. Volatility is growing and growth, overall, might slow. Technology is creating disruption. Automation is threatening jobs. In the short term, we need to retrain people, to encourage lifelong education so we can bring everyone with us in this new wave of growth, and ensure it is sustainable.

We have reflected on these trends, what they mean for us, and how to build a business that delivers in a sustainable way, with great performance for shareholders but that also cares about making a difference.

At Santander we are in an extraordinary position to help. Let's start with our 125 million customers. Add in their family members. Then all the businesses we serve, with employees ranging from a few to tens, even hundreds of thousands.

Every action we take to enable inclusive, sustainable growth has a powerful multiplier effect which will help the lives of millions of people. That is the power of our model.

In my first letter to you, only 2 years ago, I set out our strategy. Maintaining our traditional strengths, and foundations, we embarked on a profound process of change.

It is the sort of change that is not fully reflected in the news that generates media headli-

nes. It is not just about acquisitions or appearing at the top of the rankings.

Our transformation is global and goes beyond these metrics. It is mostly about how we organize ourselves, how we behave, to succeed in a world changing at exponential speed all around us.

A more diverse, multicentric world, where being local is a must.

And at the base of our transformation is a culture of being local in each one of our markets while also encouraging a shared way of doing things that is Simple and Personal and Fair; this culture binds us together across our 10 markets, fosters innovation and attracts the best talent.

At our Investor Day in London in September 2016 we set out our 2025 vision: to be an open platform for financial services. Importantly, as we transform the Group to succeed in the medium term, we are delivering today.

As I said when we announced our earnings for 2016, going forward, we have many opportunities for profitable growth in Europe and the Americas, in an environment we anticipate will be volatile but generally better than 2016. The key to our success for 2017 and beyond will be an ever-stronger collaborative culture across the Group and a shared purpose to help people and businesses prosper.

I am confident Santander will continue to deliver because of the 190,000 people who

work hard and work together every day, and to whom I would like to say thank you.

And to all of you, to our customers, to our shareholders, our communities, thank you for your trust.

With your continued support, the best is yet to come.



Ana Botín
Group Executive Chairman

"I am confident Santander will continue to deliver because of the 190,000 people who work hard and work together every day, and to whom I would like to say thank you".

Corporate governance

Santander has a solid corporate governance, based on its strong culture and values, which assures that management is aligned with the interests of our stakeholders.

Corporate governance is an essential factor in leveraging value creation.



Balanced board composition

- Of the 15 directors, 11 are non-executive and 4 executive.
- More than half of the directors are independent.
- Commitment to diversity of knowledge, gender and international experience.



Respect for shareholders' rights

- The principle of one share, one vote, one dividend.
- The bylaws do not contain anti-takeover clauses.
- Encouragement of informed participation at shareholders' meetings.



Maximum transparency in remuneration for board members and senior management

- Remuneration policy for executive directors and senior management, aligned with the Simple, Personal and Fair culture.



Listed in socially responsible investment indices

- Santander has been listed on the DJSI and FTSE4Good indices since 2000 and 2002, respectively.
- Ranked as the 5th best Bank in corporate governance by the DJSI.

Board of directors

The board of directors is the Group's top decision-making body, except for matters reserved for the general shareholders' meeting.

Within the framework of its general supervisory function, the board has the final word on decisions concerning the Group's strategy and main policies, corporate culture, the Group's organisational structure, and the approval of appropriate social responsibility and corporate governance policies. The board also approves and monitors the risk framework and appetite, and ensures that the three lines of defence model (business and risk origination; risk control and compliance; and internal audit) is respected.

Banco Santander's board of directors is a well-balanced mix of executive and non-executive directors.

13
meetings
of the board of directors were held in 2016.

This year the board's diversity was strengthened, giving it a more international and technological profile, and increasing the number of female directors.

The board's various checks and balances include the position of lead director, who coordinates the non-executive directors and chairs, among other committees, the Risk Supervision, Regulation and Compliance Committee. Its functions include periodically assessing the corporate governance system as well as reviewing and monitoring the sustainability policy, and evaluating the degree of compliance therewith. The lead director is responsible for proactively communicating with investors to hear their points of view, in particular with regard to corporate governance.

Remuneration policy

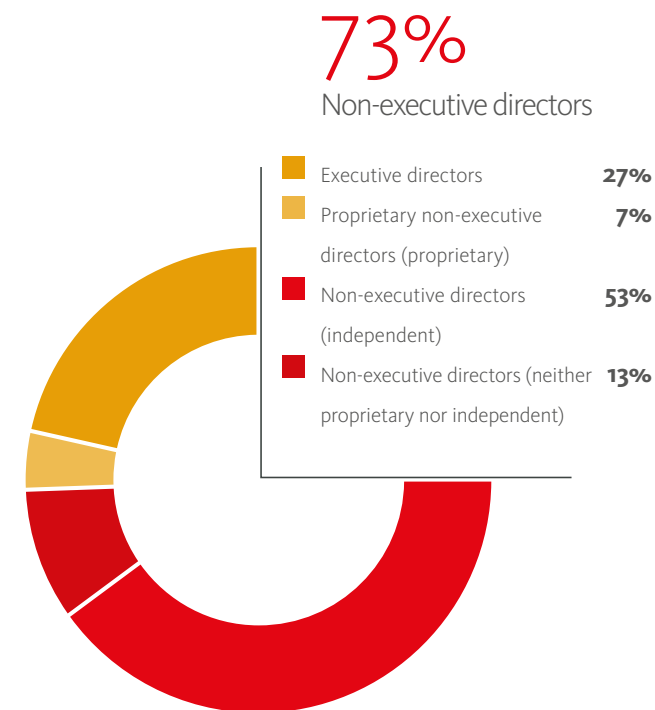
Banco Santander's remuneration policy:

1. Is in line with shareholders' interests, encouraging the creation of long-term value, and is compatible with rigorous risk management.
2. Features a performance-based pay structure based on financial and non-financial metrics. The non-financial variables are linked to achieving the strategic targets related to employees, customers, shareholders and communities.

Banco Santander's board: diverse and balanced

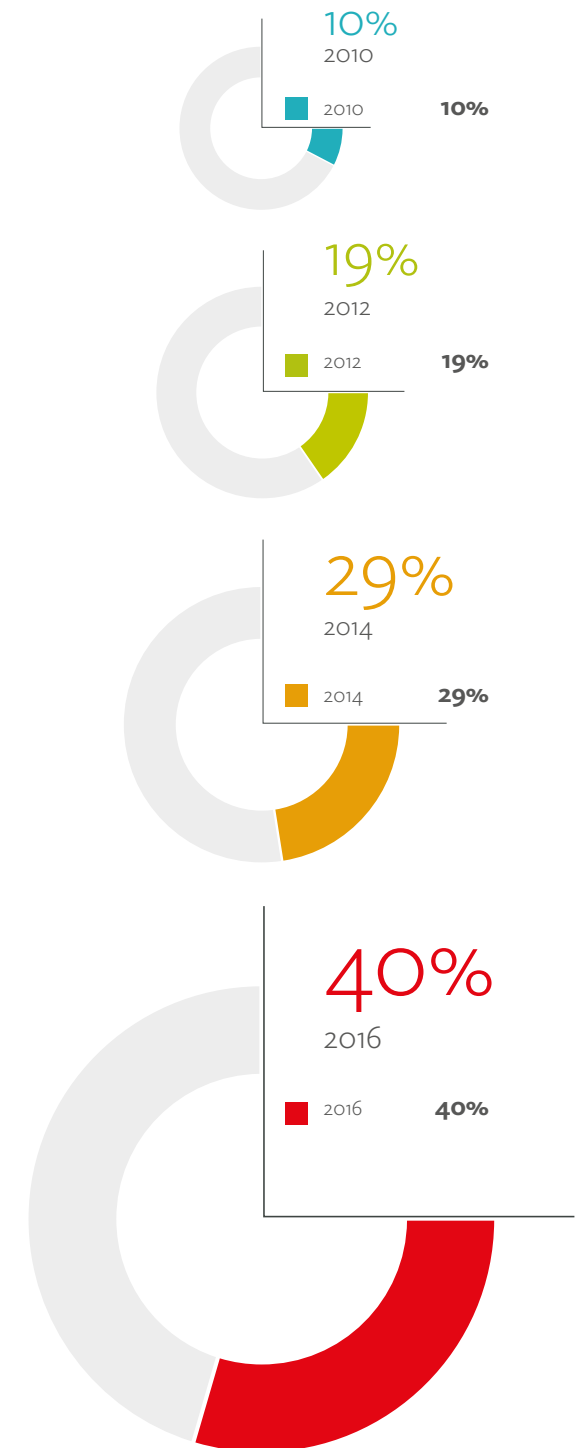
Composition of the board

% of directors



Board diversity

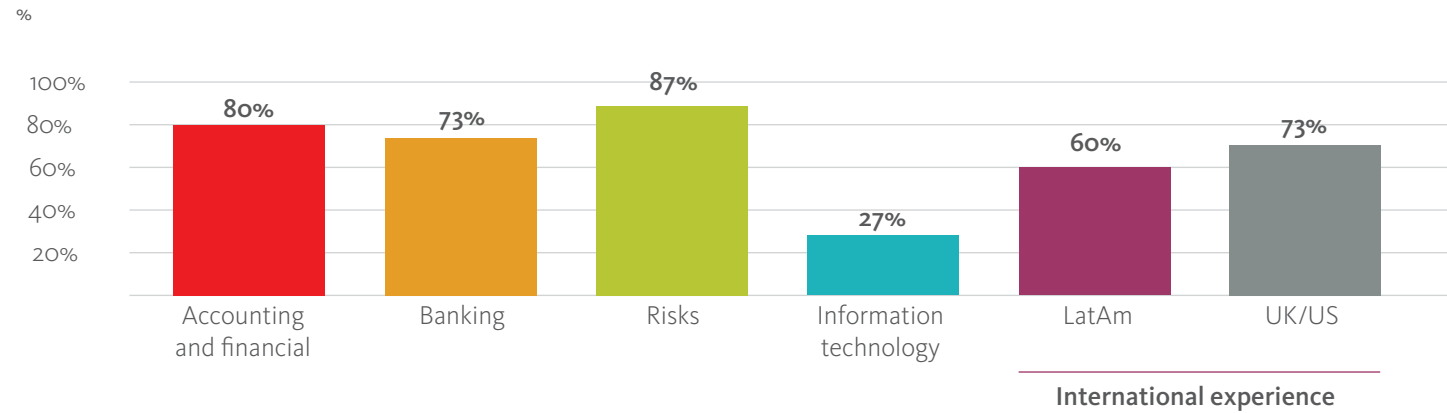
% of female directors



Risk management

Risk management and the compliance and conduct functions are key in order for the Group to continue being a solid, secure and sustainable bank.

Board members with relevant experience



Internal governance

The Santander Group comprises several independent subsidiaries with their own capital and liquidity, the parent of which is Banco Santander, S.A. The Group's internal governance system comprises a governance model and a set of corporate frameworks.

The model establishes the levels of interaction between the Group and subsidiaries:

- at the level of the boards of directors of the Group and of its subsidiaries;
- at the level of the Group and local CEOs;
- at the level of internal control, support and business functions.

The corporate frameworks constitute common operating principles for those matters considered important due to their impact on the Group's risk profile, such as risks, compliance, technology, auditing, accounts, finances, strategy, human resources, communication and brand.

Risk management model

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

Santander is characterised by having a predictable medium-low risk profile, an independent risk function and a strong risk culture (risk pro).

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

In the area of sustainability, in addition to all matters relating to the compliance and conduct function, it is particularly important in analysing social and environmental risks (see page 69 of the Environment chapter).



Three lines of defence

1. Business lines that create or generate risk
2. Risk management:
 - and supervision functions
 - compliance and conduct
3. Internal audit function

Code of conduct

Ethics form an integral part of the Group's corporate culture and values, as reflected in the new corporate behaviours. The General Code of Conduct brings together the ethical principles and rules of conduct governing the actions of all of the Bank's employees, including equal opportunities and non-discrimination, respect for people, work-life balance, occupational risk prevention, environmental protection and compliance with sustainability policies.

The general Code of Conduct extends to all Bank's employees and is available on the Bank's website. The Group has five main internal whistleblowing channels.

Risk Pro is our risk culture



Responsibility:

Risk management is everyone's responsibility.



Challenge:

We must question what we do and ask ourselves if this is the best way to manage risks.



Resilience:

The Bank must be flexible and prudent to ensure sustainability in different situations.



Simplicity:

Talk about risks in a simple and clear way.



Customer focus:

All our risk management must be focused on the customer.



In September, a Group Strategy Update was held with more than 130 investors and analysts.

During 2016, around 450 complaints have been received out of which approximately one third have resulted in a disciplinary procedure. The most common reason for these complaints is related to human resources issues which represent around three of every four complaints received. The rest are of various origins (for example dishonest conduct or fraudulent activity, conflict of interest, mis-selling and others).

Commercialisation of products and services and consumer protection

The Group fosters a culture of good conduct, promoting transparency and an approach that is Simple, Personal and Fair towards customers to protect their rights. In 2016 the board of directors approved the new corporate framework for marketing products and services and consumer protection, providing greater depth and promoting synergies.

This new framework defines the basic principles applicable to mitigating the risks arising from inappropriate practices, the Bank's dealings with customers, the products it offers thereto and their suitability for each customer, covering all marketing and distribution phases (design, sale and post-sale).

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

Anti-corruption policy

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

Prevention of money laundering and financing of terrorism

Santander has a system to prevent money laundering and the financing of terrorism. The system is kept constantly in line with the latest international regulations and is able to adapt to new techniques used by criminal organisations.

The Bank also has a corporate framework that establishes the principles and policies concerning this matter and the minimum standards that must be adhered to by local units. These include those responsible for managing and coordinating the procedures for the prevention of money laundering and financing of terrorism, and investigating and dealing with any reports of suspicious activities and any requests for information from supervisors.

Cyber risk

Cyber risk is increasingly important against the backdrop of digital transformation. The Bank works to enhance protection based on international standards and preventative measures, so that it is ready to respond to any attacks against its technological system, and to protect the security of its information and prevent fraud (see page 45 of the Customers chapter).

Fiscal policy and strategy

The main principles governing Banco Santander's actions regarding fiscal matters, included in its fiscal policy and strategy approved by the board of directors, are as follows:

- Comply with tax obligations, based on a reasonable interpretation of the applicable regulations that reflects the spirit and purpose of the law.
- Pay taxes in accordance with the true legal and economic nature of the activities carried out.
- Avoid any tax planning that may be considered aggressive.
- Ensure transparency and avoid the use of opaque structures for tax purposes.
- No advisory or tax planning services of any nature may be provided to customers when marketing and selling financial products and services.
- Collaborate with the tax authorities in providing true and complete information.

In short, the purpose of this strategy is to adopt all those good practices that enable both tax and reputational risks to be prevented and reduced, thus providing greater legal and economic security for the bank and its shareholders. (The fiscal strategy is available on the corporate website).

Main business indicators on the prevention of money laundering in 2016

Subsidiaries reviewed*	169
Investigations	118,453
Disclosures to authorities	32,036
Training course attendances	139,246



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



Santander Cyber Security Programme

- management based on the three lines of defence;
- an approach based on cyber-resilience, including prevention, identification, detection, protection and response actions;
- elements of cyber security that affect training, access control and segregation of functions, and secure software development; organisational enhancement initiatives.

Sustainability management

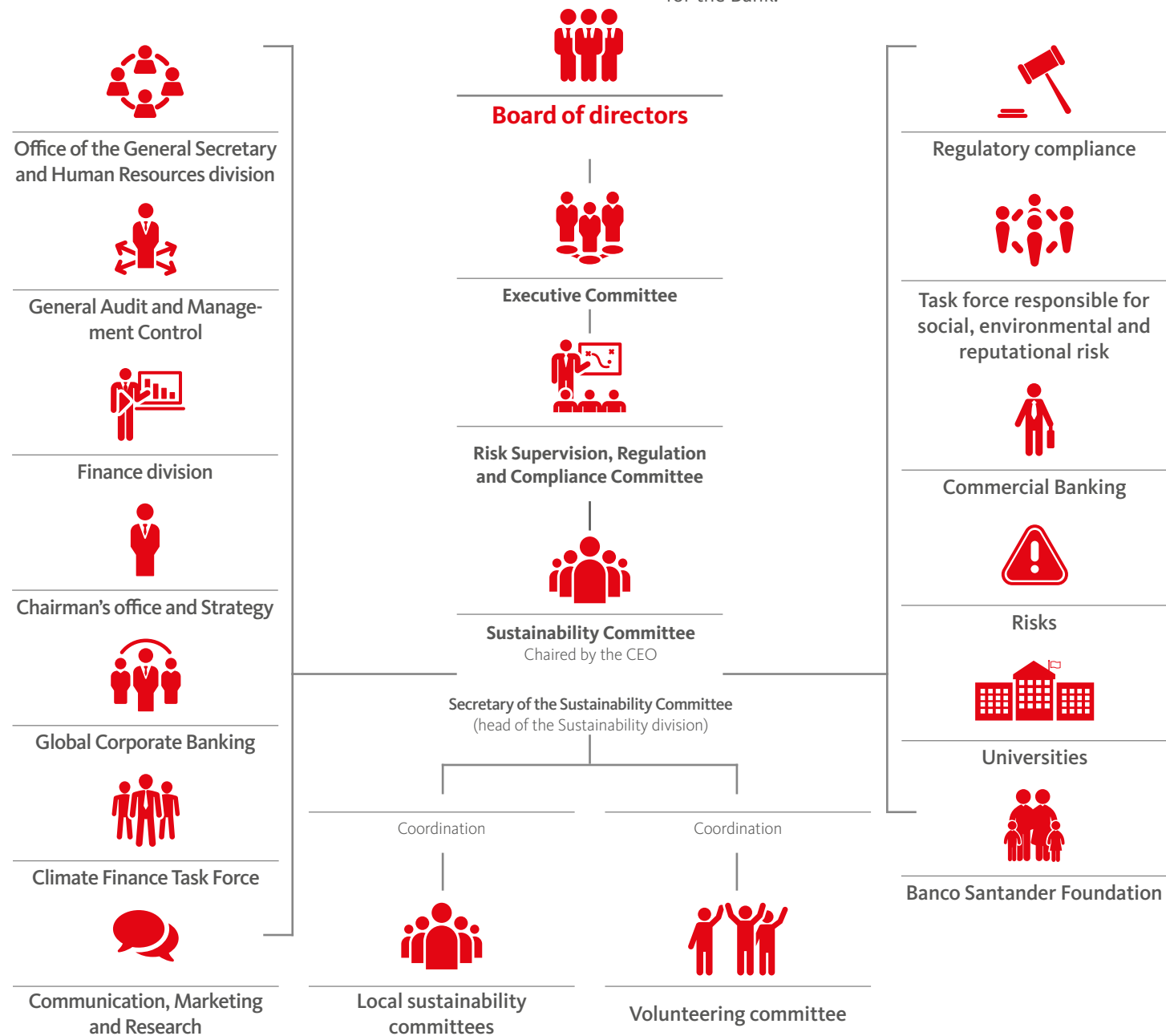
Para For Banco Santander, being sustainable means doing business while at the same time contributing to the economic and social progress of the communities in which the Bank is present, and taking into account its environmental impact and fostering stable relationships with its main stakeholders.

This commitment to sustainability involves ensuring that strong ethical, social and environmental criteria are integrated in the Bank's strategy and business model and in its internal policies and processes, and affects very different areas in a cross-disciplinary manner.

Banco Santander has a defined sustainability governance structure, both at the corporate and local level.

Pursuant to the rules and regulations of the board of directors:

- The board approves the Group's general policies and strategies, including those relating to sustainability. It may not delegate this function. It also approves the sustainability report.
- The Risk Supervision, Regulation and Compliance committee oversees the corporate social responsibility policy, making sure it is followed and is aimed at creating value for the Bank.



The Executive Committee is also regularly provided with reports on the progress made regarding sustainability.

Banco Santander has a Sustainability Committee that meets at least once a year and proposes, coordinates and promotes the Bank's main sustainability initiatives.

At the meeting held in November 2016, the following initiatives, among others, were proposed:

- To amend the general sustainability policy in order to bring it into line with the new consumer protection policy, to update the climate change policy to adapt it to the new international environment after the summit in Paris, and to improve internal environmental management.
- To drive and strengthen the Bank's position with regard to climate change through the Climate Finance Task Force, and to make changes to the efficiency plans in force.
- To promote the development of impact metrics for community investment projects.
- To move forward with managing the Bank's diversity, incorporating the special features of each of the countries in which the Group has a presence.

Santander also has a task force to assess the reputational risk stemming from any financial transactions with a social or environmental impact, which issues non-binding recommendations to the relevant decision-making body.

This task force is chaired by the Group Chief Compliance Officer and is comprised of members of Compliance, Risks, Sustainability, Legal Advisory, Communications and the business areas. This work group was replicated at local level in 2016.

Lastly, as the third line of defence, internal audit regularly assesses the sustainability function. The last audit was carried out in 2016.



Climate Finance Task Force

In 2016 Banco Santander created the Climate Finance Task Force, the main objectives of which are as follows:

- To define the Group's strategy and position regarding climate change.
- To identify and analyse business opportunities and risks that may arise as a result of the transition to a low-carbon economy.
- To adapt business processes and information systems in view of new regulatory initiatives, including those aimed at greater transparency in climate change management.

This task force is composed of Global Corporate Banking, Risks, Compliance, Commercial Banking, Innovation, Strategy, Financial Management, Public Policy and Sustainability.

International initiatives to which Banco Santander is party

1 United National Global Compact	2 Banking Environment Initiative (BEI)	3 World Business Council for Sustainable Development (WBCSD)	4 UNEP Finance Initiative	5 The Wolfsberg Group
6 Equator Principles	7 Roundtable on Responsible Soya	8 Principles of Responsible Investment (PRI)	9 Working Group on Sustainable Livestock	10 CDP (Carbon Disclosure Project)

Sustainability policies

Banco Santander has several policies, codes and internal rules regarding sustainability.

Following the in-depth review of the sustainability policies carried out in 2015, Santander adapted its internal risk processes, both at the corporate and local unit level, in order to bring them into line with current policies. The sustainability policies are reviewed on an annual basis by the board of directors.

General sustainability policy	<ul style="list-style-type: none"> This defines the Bank's general sustainability principles, and its voluntary commitments to its main stakeholders. It sets out the main regulatory recommendations.
Sector policies (energy, defence and soft commodities)	<ul style="list-style-type: none"> Policies that lay down the criteria governing financial activity related to the defence and energy sectors and sectors involved with soft commodities (products such as palm oil, soy, wood and livestock). They prohibit financing certain activities and establish restrictions for others. They go beyond that established in the Equator Principles, as they are applied to more activities in each sector and to more clients.
Climate change and environmental management policy	<ul style="list-style-type: none"> This policy explains the action framework and initiatives in place to protect the environment and contribute to mitigating the effects of climate change.
Human rights policy	<ul style="list-style-type: none"> This policy sets out Santander's position on protecting human rights in its dealings with stakeholders.
Volunteer policy	<ul style="list-style-type: none"> This policy encourages employee participation in volunteer initiatives and sets out the priority areas for action, focusing mainly on education.

Other relevant policies

In 2016 Santander strengthened its rules of conduct with the approval of the following policies:

Policy for financing political parties: This policy establishes a general prohibition from making donations to any political party or contributions to electoral campaigns, whereby the financing must be provided under market conditions and with the approval of the executive committee. The forgiveness of debt is also prohibited.

Policy on conflicts of interest: This policy is comprised of a single document which includes several internal rules and codes for the purpose of providing greater clarity and incorporating new regulations. It establishes the rules with regard to potential conflicts of interest between Banco Santander or its companies and its employees, customers, directors, shareholders and any other third parties directly or indirectly related to the Bank.

Policies for sensitive sectors: These policies provide for greater control over financing activities in the following sectors: the media, gambling, sport clubs and associations, trade unions, professional associations and non-governmental organisations.



Dialogue and value creation for stakeholders

The relationship with stakeholders is a key element of Banco Santander's strategy and corporate culture to fulfil the Bank's purpose of helping people and businesses prosper, and its aim of becoming the best retail bank.

The sustainability policy defines and identifies key aspects of the Bank's relationships with its various stakeholders. The rules and regulations of the board of directors assign responsibility for overseeing and assessing processes involving stakeholders to the Risk Supervision, Regulation and Compliance Committee. The general code of conduct and corporate behaviours define and establish the basis for all actions to be applied by Bank personnel in their day-to-day activities, including those related to the Bank's stakeholders.

Santander has several channels that enable the Bank to understand and meet the expectations of its stakeholders. The Bank maintains an ongoing dialogue with them, carrying out numerous studies and taking measurements to understand their expectations and needs.

In 2016 the Bank carried out over 250,000 interviews worldwide among its main stakeholders: the general population (customers and non-customers), employees, shareholders and university students. These surveys are carried out on a recurring basis to listen to the opinion of these groups, measure the Bank's public image and understand their assessment of Santander as a Simple, Personal and Fair bank.

In 2016 Santander also actively participated in numerous local and international conferences and task forces to understand the various expectations of its stakeholders.

Examples include:

- Participation in task forces of some of the most effective organisations, such as the Banking Environmental Initiative (BEI), the United Nations Environment Programme (UNEP), the World Business Council for Sustainable Development (WBCSD), and with the presidency of the Group executive chairman of Banco Santander on its Executive Committee, the World Resources Institute (WRI), the Institute of International Finance (IIF) and CDP (previously known as Carbon Disclosure Project).

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



In 2016 Santander actively participated in numerous conferences and task forces at the local and international level in order to understand the various expectations of its stakeholders

Stakeholders	Main dialogue channels	Performance figures
Employees	Global Engagement Survey	85% participation. 78% of employees committed to the Bank
	Motivation and work-life balance	19.6%
	Whistleblowing channel	Around 450 complaints received
Customers	Commercial channels	472 offices were renovated in 2016 to improve customer service
	Satisfaction surveys	87.5% satisfaction among active retail and commercial customers
	Complaints management	70% of claims received are resolved in under 10 days
Shareholders	Group Strategy Update	Over 200 analysts and investors attended
	Shareholder services	186,953 queries managed through remote channels
	Forums and meetings with shareholders	183 events held
Communities	Collaborations with NGOs, universities and other institutions	1,183 agreements with universities and academic institutions
	Social networks	7,194 collaborators with NGOs and social institutions
		192 profiles and 12.2 million followers

Banco Santander and its commitment to the Sustainable Development Goals

All social agents, including companies, must contribute to the Sustainable Development Goals (SDG) of the United Nations. Banco Santander contributes directly to achieving the SDGs through its business activities and its community investment programmes. The Bank places great importance on promoting and understanding these goals both at an internal level and externally through all its stakeholders. The Bank is developing a new method for measuring the achievements and impacts of its community investment which, among other aspects, identifies and measures the Bank's contribution to the goals.

Main SDGs where Banco Santander's business activities and community investments have the most weight.



3 GOOD HEALTH AND WELL-BEING Collaborates with many social institutions to improve the quality of life of people and meet their needs.

4 QUALITY EDUCATION Promotes university education to help the communities in which it is present to prosper.

5 GENDER EQUALITY Has an open attitude towards diversity as a way of increasing its human capital.

8 DECENT WORK AND ECONOMIC GROWTH Endeavours to attract and retain the best talent, and wants its professionals to be motivated, committed and fairly paid.

10 REDUCED INEQUALITIES Promotes financial inclusion within communities and drives training, enterprise and job creation.

11 SUSTAINABLE CITIES AND COMMUNITIES Helps people and businesses prosper to support the sustainable growth of communities.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensures ethical, social and environmental criteria are properly followed to develop responsible activities.

13 CLIMATE ACTION Analyses the social and environmental risks in its transactions and promotes financing for renewable energies projects to support the fight against climate change.

Identification of material concerns

Banco Santander regularly analyses the social, environmental and ethical internal and external issues that are most relevant to its stakeholders. This process helps to define the contents of the report and the general sustainability agenda.

This systematic analysis process and our stakeholder-dialogue processes are central to compliance with the Global Reporting Initiative G4 (GRI G4) and the AA1000 accountability standards. They establish the Bank's main focus areas with regard to sustainability.

In 2016, Banco Santander explored new and more sophisticated ways of analysing data in order to determine the most important

issues for its business. The use of new technologies enables the Bank to analyse large volumes of qualitative information regarding sustainability.

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

- Analysis of regulatory frameworks in the ten main countries in which the Bank operates.
- Materiality analysis of other banks.
- Analysis of social networks (Twitter).
- Analysis of the main voluntary reporting frameworks

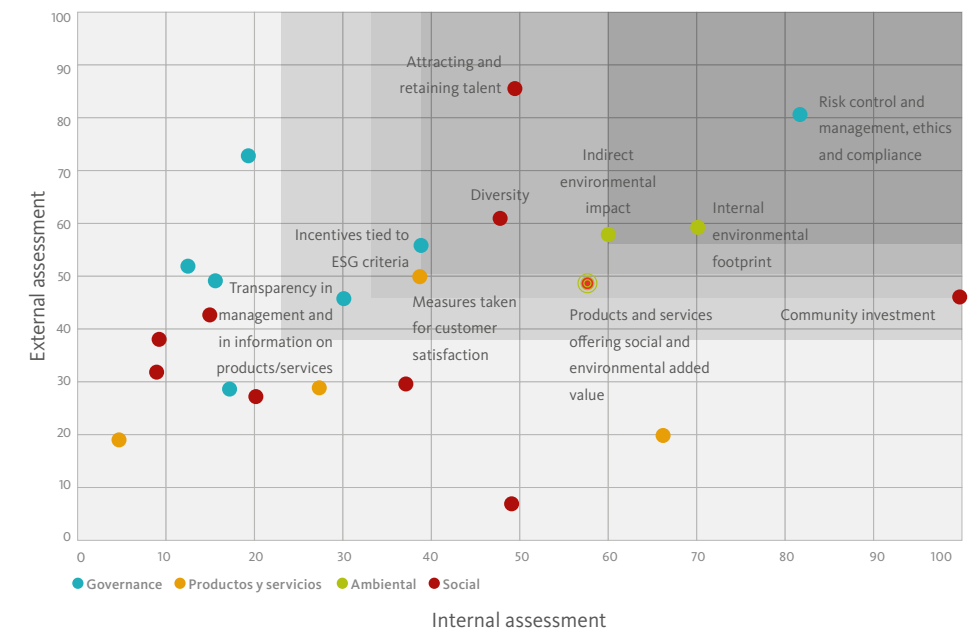
In 2016 the capacity to analyse and identify material aspects was expanded through technological tools for analysing data and information

(GRI-G4, Integrated reporting framework, Sustainability Accounting Standards Board Material Topics for Commercial Banks, etc.)

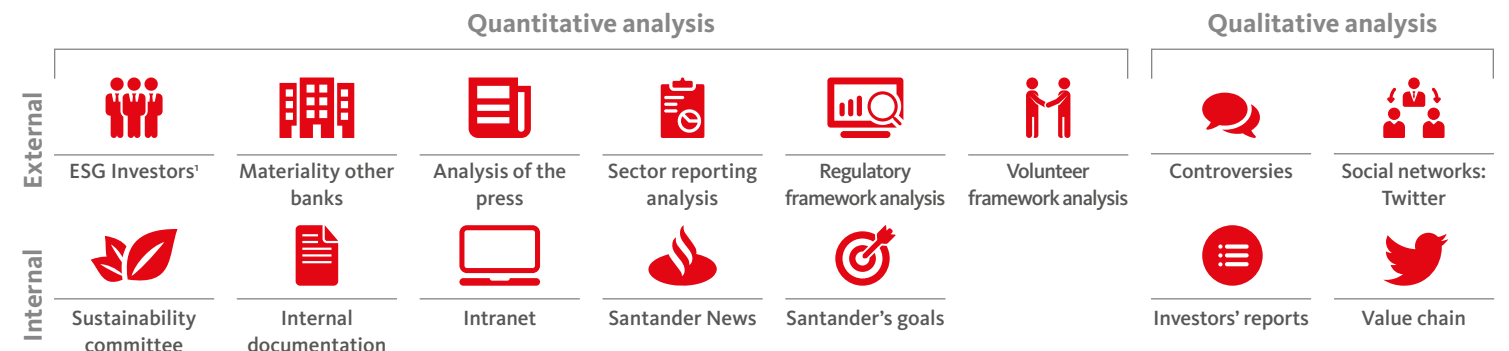
The scope of other analyses was also expanded, such as the ESG investors' analysis (with the inclusion of new analysts) or the analysis of potential controversies (including new sources and references).

Matrix for identifying material concerns

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



Process of identifying material concerns



1. ESG investors: environmental, social and governance investors.

Economic contribution

Employee remuneration



11,004

million euros in personnel expenses

Banco Santander has 188,492 employees with an average age of 38 and average length of service of 10 years. Santander is also a staunch proponent of stable employment, with 97% of its contracts being permanent.

Customer Returns



12,886

million euros in deposits accrued at year end

Santander offers a variety of savings and investment products and services to its customers so they can maximise the return on their finances. These products are aimed at individuals and families, as well as companies and public institutions.

Credit



790,470

million euros in net loans outstanding at year-end

Banco Santander offers a variety of financing solutions to individuals, companies and institutions in order to make their projects, businesses or activities a reality. In 2016, loans, and particularly financing for families and companies, were up in nine of the ten main markets in which the Group operates.

Shareholders

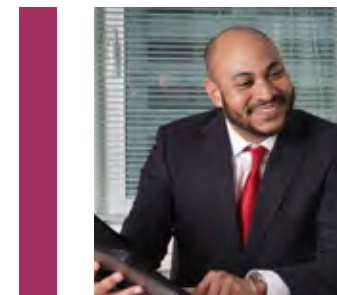


2,469

million euros in shareholder remuneration

Banco Santander offers its 3.9 million shareholders attractive and sustainable return, protects their ability to exercise their rights and promotes transparency of information to maintain their loyalty in the long term.

Taxes with held and paid



15,820

million euros in taxes and other levies withheld and paid

The Santander Group contributes both economically and socially to the countries in which it operates by paying all its direct taxes and withholding indirect taxes from third parties.

Social investment in the community



209

million euros in social investment in the community

Banco Santander helps to drive economic and social development through initiatives and programmes aimed at promoting education, entrepreneurship and welfare. Investment in higher education is the Bank's main focus and a hallmark of its social commitment. Long-standing strategic partnerships with universities around the world are forged through the Bank's Universities programme.

Supplier payments



7,249

million euros in payments to suppliers

Santander trades with a total of 7,535 approved suppliers through its global procurement model. 95% of the suppliers with which the Group operates are local suppliers.

Aim and value creation

Strategic priorities	Area of action regarding sustainability
 <p>Employees</p> <p>Be the best bank to work for and have a strong internal culture.</p>	<ul style="list-style-type: none"> • Employment and diversity • Developing talent • Commitment • Volunteering
 <p>Customers</p> <p>Earn the lasting loyalty of our individual and corporate customers: improve our franchise</p> <p>Operational excellence and digital transformation</p>	<ul style="list-style-type: none"> • Quality service and customer satisfaction • Multi-channel strategy • Products and services with a social and/or environmental component
 <p>Shareholders</p> <p>Capital strength and risk management</p> <p>Improve profitability</p>	<ul style="list-style-type: none"> • Presence on sustainability indices • Shareholder remuneration
 <p>Communities</p> <p>Santander Universities</p> <p>Support people in the local communities in which the Bank operates</p>	<ul style="list-style-type: none"> • Support for higher education • Entrepreneurship and job creation • Promotion of social welfare in the communities
Other sustainability priorities	
 <p>Environment</p> <p>Ensure our business helps protect the environment</p>	<ul style="list-style-type: none"> • Contribute to curbing climate change • Reducing our environmental footprint
 <p>Suppliers</p> <p>Ethics, transparency and quality of service</p>	<ul style="list-style-type: none"> • Manage the Bank's procurement processes rigorously and responsibly

Indicators	2016	2015	2014
• Employees with permanent employment contracts	97%	97%	96%
• Female employees	55%	55%	55%
• Employees trained	95%	93%	97%
• Employees proud to work at Banco Santander	84%	82%	--
• Employees taking part in social initiatives	63,865	55,254	59,569
• Number of geographies where the Bank ranks in the Top 3 for customer satisfaction compared to its competitors	8	5	--
• Loyal retail customers (millions)	15,2	13,8	12,6
• Digital customers (millions)	20,9	16,6	14,1
• Loans to micro-businesses (€ million)	150	158	314
• MW renewable energy financed	7,082	7,362	5,197
• Position in the Dow Jones Sustainability Index (DJSI)	6	11	5
• Growth in earnings per share	1%	-16%	24%
• Scholarships for students and educators	36.684	35.349	28.443
• Projects in partnership with universities	3.549	3.900	4.700
• Jobs brokered through Universia-Trabajando	1 M	1 M	1,1 M
• Collaborations with NGOs and other social entities	7.194	7.125	8.739
• Million people helped	1,7	1,2	--
• Reducing CO2 emissions	6,8%	3,7%	4,8%
• Electricity from renewable energy sources	41%	40%	38%
• Approved suppliers	7.535	7.021	7.151

We are interested in Mexico's progress

[G4- 8, G4- 9, G4- 10]

Being sustainable means believing in Mexico and investing in the country's progress, companies, communities, and people. Today, we are one of Mexico's largest Financial Groups with more than 13.5 million customers, 1,346 branches, 6,825 ATMs, and 16,976 employees. Our shares are listed on the Mexican and New York Stock Exchanges, and we are a Banco Santander Spain subsidiary, the sixth most valuable international banking brand in the world.

Total		
	Customers	13,553,067*
	Men Employees	8,018
	Women Employees	8,958
	Total Employees	16,976
	Branches	1,346
	ATMs	6,825
	Trust** Amount Awarded	8,178,500
	Trust Beneficiaries	25,463
	Trust Organizations Supported	65

*226,427 customers are included in the total figure, although not in the regional division because they are not classified under a geographic structure.
**Trust for the Children of Mexico, Everyone at Santander.

**The Mexico City metropolitan regional office is made up of corporate employees. Branches and ATMs in this area are distributed throughout the Metro North and Metro South regional offices.

Metropolitan Area**	Metro North	Metro South	Northeast
	1,798,376	1,503,293	1,366,915
	771	796	677
	780	733	770
	1,551	1,529	1,447
	184	182	163
	837	724	738
			250,000
			70
			2



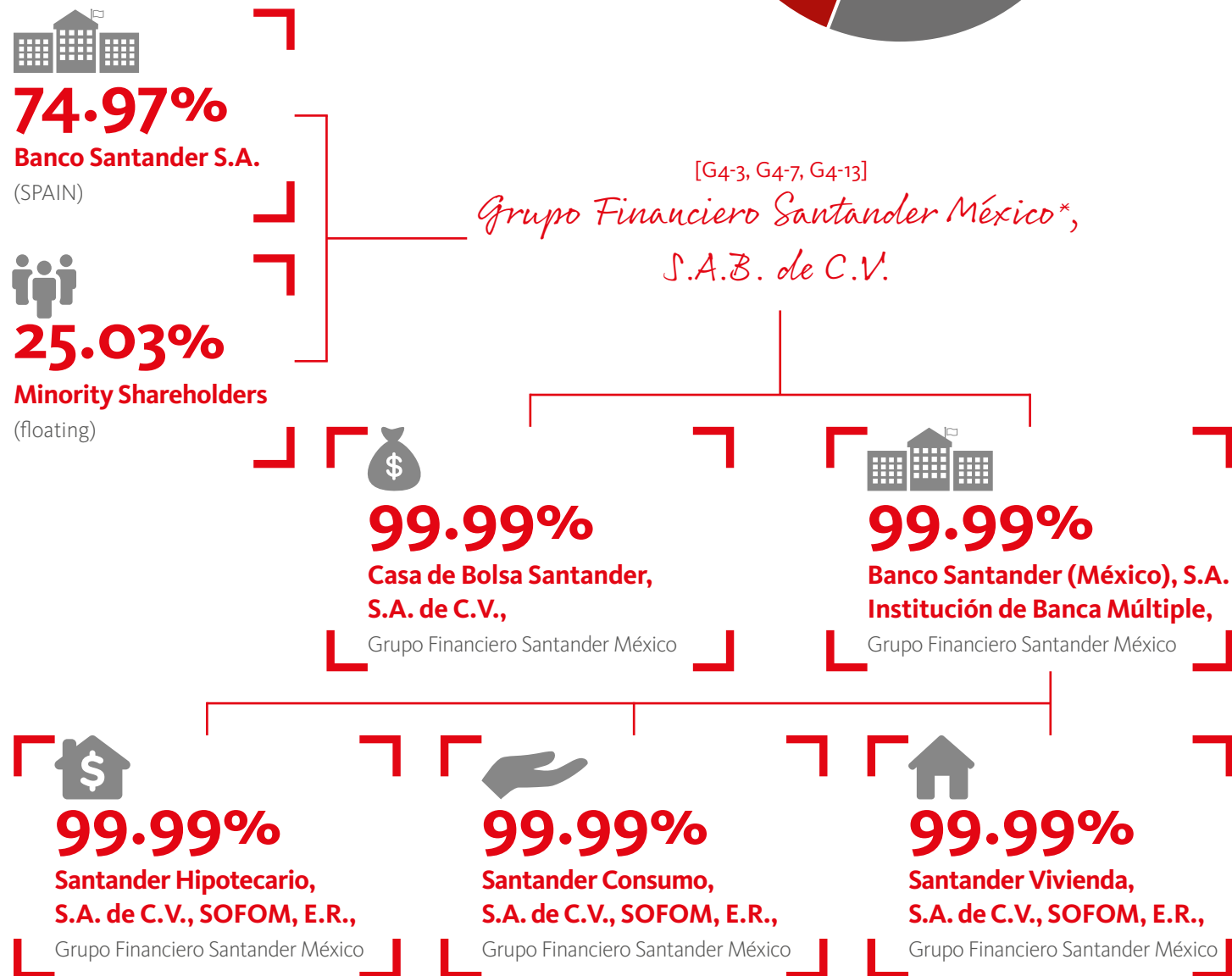
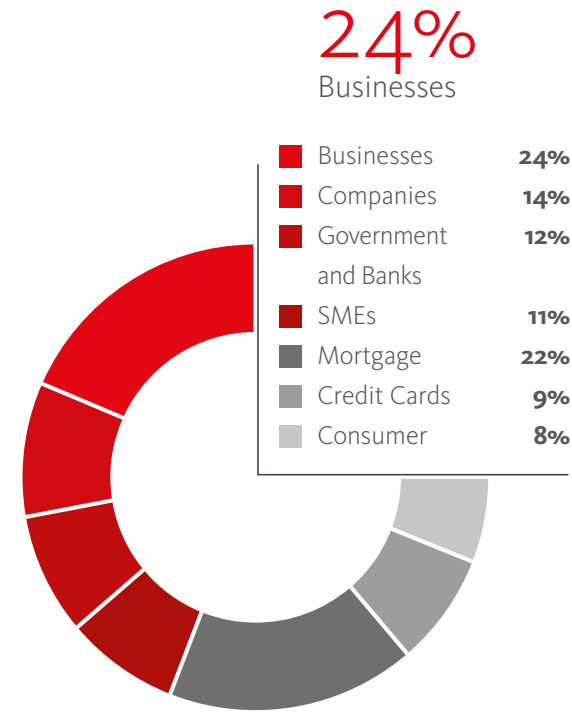
Center Region		
	1,497,763	
	1,453	
	2,007	
	3,460	
	153	
	741	
	1,411,250	
	6,968	
	12	

North	West	South	Southeast	Northwest	
	1,223,544	1,155,710	1,332,107	1,983,078	1,465,854
	422	605	435	750	450
	503	672	615	880	697
	925	1,277	1,050	1,630	1,147
	111	137	116	179	121
	630	568	772	1,191	624
	500,000	250,000	360,000	470,000	200,000
	1,987	142	258	401	767
	3	2	3	4	3

Through a powerful services infrastructure, including ATMs, digital transaction channels, and the Contact Center staffed by trained employees with a commitment to serve, we offer products and services that meet the needs of individuals, companies, and government agencies across Mexico, in our market covering the industrial, agricultural, commercial and service sectors, among others.



[G4- 4]

At the end of 2016, our portfolio, shareholder composition, and products and services offered were as follows:



*On May 12, 2016, Banco Santander, S.A. acquired the 1,609,062,685 Series "B" shares that belonged to Santusa Holding, S.L. representing 23.71% of Grupo Financiero Santander México, S.A.B. de C.V.'s capital stock.

Division	Line of Business	Offer	Product/Service Features and Benefits
Individual Loans	Small and medium-sized enterprises (SMEs)	<ul style="list-style-type: none"> Unsecured Loan ranging up to 60 months with Fixed or Variable Rates Revolving Lines of Credit with Automatic Renewal Options Loans Secured by a Mortgage and Deed of Trust Leasing Confirming Overdraft Lines of Credit Credit Cards Debit Cards Point of Sale Terminal Payroll Investments SME Account Electronic Banking Specialized SME Packages Insurance Derivatives to Hedge Interest Rate and Exchange Rate Risk Direct Pay Services Structured Financing 	<p>Specialized sales force based on the size of the SME</p> <p>Santander SME Program: <i>More than a financial partner, looks to be a partner for growth in the industry</i></p> <p>The program provides partner SMEs with Santander's capacities in five primary fields: Talent and Training, Employment, Internationalization, Connectivity, and Financing.</p>
		<p>Short Term Loans</p> <ul style="list-style-type: none"> Payroll Loans Cash Loans Express Line Same Line Check Balance Transfer 	<p>Risk-Based Pricing, measuring loan risk by the customer's capacity to pay the loan and interest payments.</p>
		<p>Long-Term</p> <ul style="list-style-type: none"> Mortgage Credit 	<p>We added two simplified Mortgage Credit products to our NETWORK:</p> <ol style="list-style-type: none"> Fixed Rate: Personal Mortgage Santander Variable Rate: Santander Smart Mortgage <p>Vision fully centered on our customer's needs</p>

Division	Line of Business	Offer	Product/Service Features and Benefits
 Auto	Auto Loan	<ul style="list-style-type: none"> • Auto Loan 	Rate Reduction Car with no down payment All new and pre-owned car brands included No prepayment penalties
	Insurance	<ul style="list-style-type: none"> • Life insurance • Critical Illness insurance • Auto Insurance • Home Insurance • Insurance against Fraud • Insurance for SMEs 	We offer Segurómetro for people to determine their coverage levels and see how they can obtain full coverage by Santander based on their living conditions.
 Equity Products	FFII (Investment Funds)	<ul style="list-style-type: none"> • Debt Funds • Variable Annuities • Mutual Funds • Investment (Save&Life) Insurance 	Investments are backed by Santander, a bank widely recognized as a global leader.
	Fixed Term Investment (Deposits)	<ul style="list-style-type: none"> • Certificates of Deposit in Mexican Pesos • Digital Investment • Super CETE IOU (promissory note) • Traditional IOU • Effective Rising Currency Investment • Effective Falling Currency Investment • Effective Stock Exchange Investment 	Our products are designed to meet each customer's investment, term, amount, and liquidity needs in line with their prospects.



Division	Line of Business	Offer	Product/Service Features and Benefits
 Transactional Products and Retention	Credit Card	Proprietary Credit Cards: <ul style="list-style-type: none"> • Santander Access Visa • Santander Access AMEX • Santander Black • Santander Unlimited Co-Branded Credit Cards: <ul style="list-style-type: none"> • Santander Aeroméxico • Santander Delta • Santander Ferrari • Santander Fiesta • Santander Six Flags • Santander Iberia Affinity Credit Cards: <ul style="list-style-type: none"> • Santander Modelo • Santander Universidad Panamericana 	Request a credit limit increase over the phone Hedge cards and accounts Customize cards with a photo Exclusive pre-sale offers and promotions
	Debit Cards	<ul style="list-style-type: none"> • Super Account • Basic Account • Free Account • Basic Payroll • U.S. Dollar Account • Super University Account • Super GO Account 	Santander GO app for customers to complete their payments, inquiries, and transactions online without having to print a voucher.
	Direct Pay	<ul style="list-style-type: none"> • Direct Pay and recurring payments 	Convenient and safe utility payments option.
	On-demand investment	<ul style="list-style-type: none"> • Growing Money 	Availability and security of all customer funds, every day.
 Trustee	Trust Business	<ul style="list-style-type: none"> • Investment Trusts • Escrow Accounts • Management Trusts 	Customers send instructions and download their account statements online.
 Commercial Strategy	Santander Plus	<ul style="list-style-type: none"> • Requirements: Santander Payroll Account and Digital Channels • Participating Products: Direct Pay, Growing Investment, Credit and Debit Card Purchases, Consumer Credit (Payroll or Cash), and Insurance 	Cash back bonuses deposited in the customer's bank account for completing transactions with the bank; free benefit for Santander payroll account customers.



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

[G4-1, G4-2]

If there is anything that characterizes Grupo Financiero Santander México, it is the Group's passion for innovation and commitment to business ethics. In 2016, our sound corporate governance allowed us to move several internal process and policy restructures, to strengthen our alignment with our mission to enable businesses and people's growth and progress.

One of these movements included bringing the entire administration and management of our commercial banking products under one Deputy Director's Office, seeking to optimize our contact options for added value customer relations. The services and products we offer increasingly focus on their needs.

Changes made in 2016 also show how we care for our employees through our training and career management and health and life balance programs, responding to their concerns, and ensuring gender equity.

In the social sphere, we seek to transform the way we measure individual and corporate progress. Beyond counting beneficiaries, we intend to determine our impact by using indicators that complement traditional economic indexes to evolve how we measure resources invested in individuals, SMEs, and business corporations. We are achieving this goal by further engaging with the players that allow us to create a social impact, such as our employees, customers, CSO partners, and other stakeholders.

In 2016, we applied a survey to obtain feedback from these stakeholders to validate their priority issues from a social, economic, ethical, and environmental perspective. The results of this survey are the basis of this sustainability report, which allowed us to understand

perceptions about our actions regarding access, improvement, and change in the lives of people we support.

Sixteen years ago, our parent company in Spain joined the Dow Jones Sustainability Index (DJSI) that demands compliance with certain metrics and guidelines that are gradually becoming part of our internal policies. An example of this, is that in May 2016, the Board of Directors approved the Environmental and Social Policy for our operations in Mexico, which includes sustainability criteria provided not only by the DJSI, but also certain local guidelines, such as those established by the Sustainability Protocol of the Mexican Bank Association, and the Mexican Stock Exchange Sustainability Index.

Being part of the Sustainability Index is also the result of consolidating our social programs, service quality standards, attracting and retaining talent, our commitment to the environment and, in general, the work that Santander does to contribute to the progress of individuals and businesses alike.

I am confident that we will continue to be agents of change that permeate the concept of sustainability not only within the Group but also in the communities we serve, the Mexican financial sector, and Mexican society in general.

Marcos Martínez Gavica
Chairman of the Board of Directors



Letter from Héctor Grisi Checa, Chairman and Chief Executive Officer of Grupo Financiero

Santander México

[G4-1, G4-2]

In 2016, Santander Mexico went ahead with its goal to help people and businesses prosper.

Our purpose is clear and leaves no room to doubt our intention to actively participate in Mexico's development, in terms of meeting financial and business goals, and leaving a positive mark on the issues that most concern and interest the productive sectors, our shareholders and employees, the authorities and, society, above all.

Accordingly, continuous investment will remain the engine of our sustainable development. Over the next three years, we will invest MXN 15 billion in strategic projects in Mexico, such as modernization of the canal network, systems, and infrastructure. This is how we prepare to continue to grow, to be the best bank in Mexico, and create shared value for all our stakeholders, thus contributing to a prosperous Mexico.

We have made a clear commitment to making a difference by increasing opportunities so a growing number of young people can go to school, create innovative ideas, and participate in the country's productive sector. Our social investment strategy maintains this approach to education. We firmly believe that this is the safest and fairest way to encourage Mexico to chart the bright future awaiting the country, and us all.

Our focus on education goes beyond our commitment to society. In 2016, employees donated to our Trust for the Children of Mexico, to help a growing number of children at the civil society organizations (CSOs) we support through different approaches to professionalization.

Given the undeniable proof of climate change, the environment is also a priority for our Group. In this regard, we have and will continue

to promote different initiatives aimed at ensuring the efficient use of resources, savings, proper waste disposal, and recycling, based on the Group's profound personal conviction on the subject matter.

At Santander, we reaffirm our commitment and alignment with the UN's Global Compact principles, and we prepared this document to report on the progress we have made in protecting human rights, fair labor practices, environmental protection, and the fight against corruption.

These are times of uncertainty, and Santander Mexico is willing to continue to create value to be considered a bank that is easy to deal with by offering our personal touch and fair banking practices centered on our core stakeholders. These include our customers, who are at the heart of our operations; our employees, our most asset; shareholders and investors, with whom we maintain open and transparent communications; the competition, sharing results and experiences; suppliers, in pursuit of mutual benefits; and the authorities, to ensure compliance with the standards related to our business activities.

These actions produce a positive impact on society, filling us with pride and a sense of satisfaction. We all want a stable, legal, happy and just country, and Santander Mexico is doing everything in its power to make sure this happens soon.

Héctor Grisi
Chairman and Chief Executive Officer

We help people and companies progress: our greatest achievements in 2016

At Santander, we contribute to Mexico's development by helping individuals and businesses move forward. Our social, environmental, and economic efforts drive the country's development providing clear evidence of our commitment to sustainability.

Following is a summary of the economic, social, and environmental activities Grupo Santander engaged in 2016, to help individuals and businesses in Mexico progress.

ECONOMIC SUSTENTABILITY [G4- EC1]				
	2014	2015	2016	Variation 2015-2016
Number of Customers	11,043,353	12,503,177	13,553,067	8.4%
Assets (millions of MXN)	937.4	1,184.9	1,374.1	16%
Taxes (billions of MXN)	3,341	4,100	4,909	20%
Deposits (billions of MXN)	459,624	516,432	593,485	15%
Financing (billions of MXN)	465,541	547,745	591,428	8%
Capitalization (%)		15.6	15.7	0.64%
Direct economic value created (billions of MXN)	75,417	83,398	97,395	17%
Direct economic value distributed (billions of MXN)	49,779	55,366	66,133	19%
Direct economic value retained (billions of MXN)	25,638	28,032	31,262	12%
Number of cases handled by the Customer Ombudsman	1,932	2,188	1,759	-19.6%
Number of cases handled by the Employee Ombudsman	212	237	311	31.2%

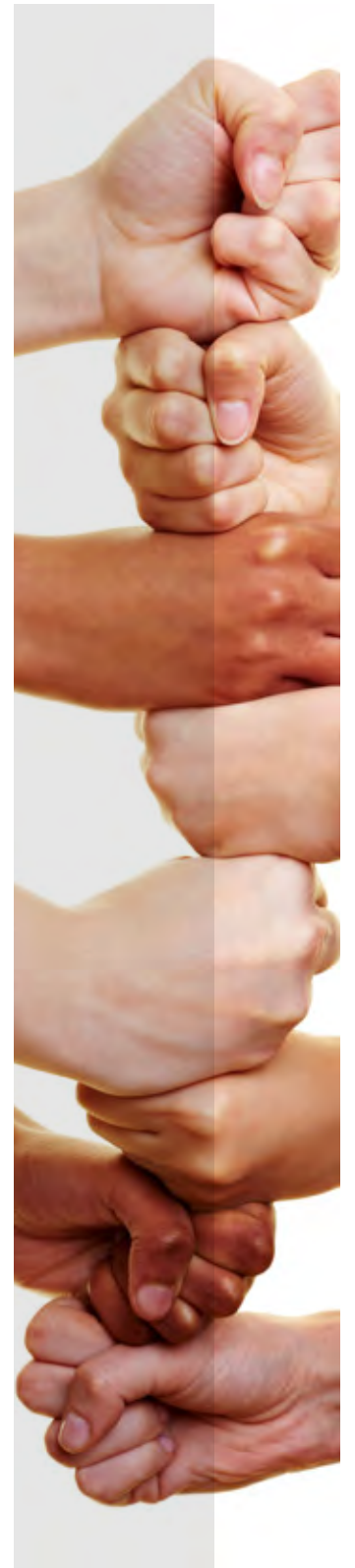
ENVIRONMENTAL SUSTAINABILITY [G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN23]

	Domestic 2015	Domestic 2016	Variation 2015-2016	Headquarters 2015	Headquarters 2016	Variation 2015-2016
<i>Consumption</i>						
Fuel (MJ) - Diesel	3,152,345	2,070,472	-34.3%	5,000	N/A	-
Electricity (MWh)	150,545	149,309.6	-0.8%	7,793	7,582.8	-2.7%
Water (m3)	450,332	475,160	5.5%	23,480	28,244	20.3%
Paper (kg)	2,199,429	1,282,965.7	-41.7%	209,009	130,083.7	-37.8%
<i>Waste management</i>						
Electronic equipment (number) - Generation	4,058	15,596	284.3%	350	1,581	351.7%
Paper and cardboard (tons)	245.6	127.8	-48%	18.9	17.3	-8.6%
Plastics (tons)	59.5	49	-17.6%	4.4	6.6	49.3%
Glass (tons)	22.4	2	-90.9%	0.8	0.3	-65%
<i>Generation</i>						
Total GHG emissions (tons of CO2 equivalent) Scope 1, 2, and 3 *	83,100.8	81,801.12	-1.5%	NA	5,124.64	-
Total waste (t)	327.5	178.8	-45.45%	24.2	24.2	0.2%



SOCIAL SUSTAINABILITY

	2014	2015	2016	Variation 2015-2016
<i>Santander Universities</i>				
Number of Santander College Grants	955	3,547	4,495	26.7%
Number of collaboration agreements	185	201	205	2%
Projects submitted to the Santander for Business Innovation Award	746	978	1,066	9%
University Smart Cards delivered (new)	275,058	218,264	291,320	33.5%
<i>Universia</i>				
Number of jobs brokered through our job placement opportunities	35,118	39,651	35,186	-11.3%
<i>Trust for the Children of Mexico, Everyone at Santander</i>				
Number of children benefited	27,662	43,467	25,463	-41.4%
Number of organizations supported	76	69	65	-5.8%
Amount of aid contributed to projects approved (MXN)	8,200,000	7,635,000	8,178,500	7.1%
<i>Sustainable Partners</i>				
Total revenues collected for social causes through ATM network (MXN)	18,182,591	18,684,840	22,000,146	17.7%



Sustainability Management and Model in Mexico

Sustainability, for Banco Santander, involves doing our job as a contribution to the economic and social progress of the communities we serve, considering the impact produced on the environment and fostering stable relations with our key stakeholders.

We strive to ensure that our economic, social, and environmental performance footprint benefits the communities where we have a presence. This commitment had led us to incorporate criteria, policies, and processes to make sure that our operations consistently address all ethical, social, and environmental issues demanded by sustainability.

Three pillars set the standard for all the Group's actions:

- *Investment in Higher Education*
- *Community and Environment*
- *Long-term Commitment to our Stakeholders*

The Group's sustainability management guidelines are outlined in the Sustainability Model and the Stakeholder Relationship Matrix.

Santander Mexico's corporate alignment includes applying the ethical, social, and environmental criteria governing Santander Spain. We reiterate our commitment to sustainability by adopting the following international policies and initiatives we adhere to:

Policies [FS15]:

- Social and Environmental Policy.
- Sectoral Policy.
- Human Rights Policy.
- General Code of Conduct.
- Code of Conduct for the Securities Market.
- Climate Change Policy.
- Corporate Volunteer Policy.

International Initiatives [G4-15]:

- United Nations Global Compact.
- UNEP Finance Initiative.
- Equator Principles.
- Principles for Responsible Investment.
- Carbon Disclosure Project.
- Banking Environment Initiative (BEI).
- Wolfsberg Group.
- Roundtable on Responsible Soy.
- Working Group on Sustainable Livestock .
- World Business Council for Sustainable Development (WBCSD).

Modelo de Sustentabilidad



Vision

- To help people and businesses prosper.



Values

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



Goals

- Promote social programs and initiatives that encourage employee participation
- Further Financial Literacy
- Develop new distribution channels for the Group's social initiatives
- Move forward measuring the impact produced by the Group's social initiatives

Pilars



Investment in Higher Education



Community and Environment



Long-term Commitment to our Stakeholders

Lines of Action



Social Sustainability and Community Ties



Financial Sustainability



Environmental Sustainability



Corporate Governance

Stakeholders



Society



Academia



Civil Society Organizations



Customers



Authorities



Employees and their Families



Shareholders / Investors



Suppliers



Competitors






Media

Stakeholders



[G4-24, G4-25, G4-26, G4-27]

Santander is proud of its corporate social responsibility that successfully meets the expectations of its stakeholders, making commitments and ensuring successful long-term relations. Our selection of the following interest groups is based on our sustainability and materiality assessment.



Stakeholder	Expectation	2016 Response	Communication Channel	Contact Frequency
 Society	Impetus to social development and environmental protection in Mexico	Trust for the Children of Mexico: MXN 8 million donated by the Bank and its employees	Invitation sent by the Trust for the Children of Mexico	Annual
		Sustainable partner aid: MXN 22 million donated by customers in 2016	ATM fundraising drive	Annual
 Academia	Educational support and development of Mexico's university sector	Environmental Management System (Headquarters in Santa Fe) and Calculation of the Emissions reported in the Group's Annual Operating Report (AOR)	Environmental policy implemented through internal awareness and training campaigns	Ongoing
		<ul style="list-style-type: none"> • 268 job portals • 87,964 job offers • Two training seminars offered by the Universia Development Center 	Universia Board Meetings	Biannual
 Civil Society Organizations	Institutional support for the social causes supported by our volunteers with financial and in-kind donations	<ul style="list-style-type: none"> • 4,495 scholarships • 205 cooperation agreements • 5,572 participants in the Santander Entrepreneurial Innovation Award contest • 291,320 new University Smart Cards (USC) delivered 	Santander University higher education plan	Ongoing
		<ul style="list-style-type: none"> • 2.8 tons of food • 1,554 nutritional bars and 1,000 milk cartons for children at organizations supported by the Trust. • 65 organizations supported with donations • 213 professionals trained with help from the Trust in 2016 	Meetings, visits, and feedback to Social Organizations responding to the invitation sent out by the Trust	Biannual/ Annual

[G4-24, G4-25, G4-26, G4-27]




Stakeholder	Expectation	2016 Response	Communication Channel	Contact Frequency
 Customers	Coverage, efficient services, and competitive costs	Development of new products and services	Communication media in branches, digital media, and advertising	Ongoing
		<ul style="list-style-type: none"> • 1,346 branches and 6,825 ATMs nationwide • 19,113 transaction points through OXXO, Telecomm, and 7-Eleven • 1,759 requests received by the Santander Customer Ombudsman • Seven media available for customers to file claims or send suggestions • 77,618 customer satisfaction surveys completed 	Santander Customer Ombudsman Claims Center	
 Authorities	Compliance with local and national regulations	We are a company regulated by the Ministry of Finance and Public Credit, the Mexican Banking and Securities Commission, the Ministry of Economy, the Mexican Central Bank, and CONDUSEF, the National Commission for the Protection and Defense of Financial Services Users	Meetings and participation in the country's financial associations	Periodic
		The Group is aligned with the regulations established by the Mexican Stock Exchange and The New York Stock Exchange	Presentation and publication of reports in compliance with the regulations established by the stock markets on which the Group shares are listed	



[G4-24, G4-25, G4-26, G4-27]

Stakeholder	Expectation	2016 Response	Communication Channel	Contact Frequency
 Employees and their Families	Promoting the importance of maintaining a balance between work and family life, and suitable working conditions for professional employee development	<ul style="list-style-type: none"> • MXN 129.6 million invested in training • 1,039,541 hours of training in 2016 • 381 drills and 6,958 people trained in civil protection throughout Mexico • 311 cases received by the Santander Employee Ombudsman • 141 seniority awards given out during We are Santander Week 	Online training and development Intranet/Portal Training/Brigades Santander Employee Ombudsman - Work and family life balance agreement - Employee Hotline	Ongoing
		General Code of Conduct and Stock Market Code of Conduct Corporate Governance Best Practices	Annual Financial Report Shareholder Reports Corporate Governance Best Practices Questionnaire from the Mexican Stock Exchange	
 Shareholders / Investors	Transparency about the Bank's information and resource management processes	Ongoing information management, events, and meetings with shareholders and investors	<ul style="list-style-type: none"> • Shareholder hotline 01 800 849 3177 • Shareholder email address and website: accionistas: accionistas_mx@santander.com www.santander.com.mx/accionistas • Investor email address and website: investor@santander.com www.santander.com.mx/ir/home/ • Reports and presentations with financial information, roadshows, and lectures 	Annual
		Call to Shareholder Meetings and delivery of voting forms	Two regular and one special Shareholder Meetings in 2016 for a total of three	

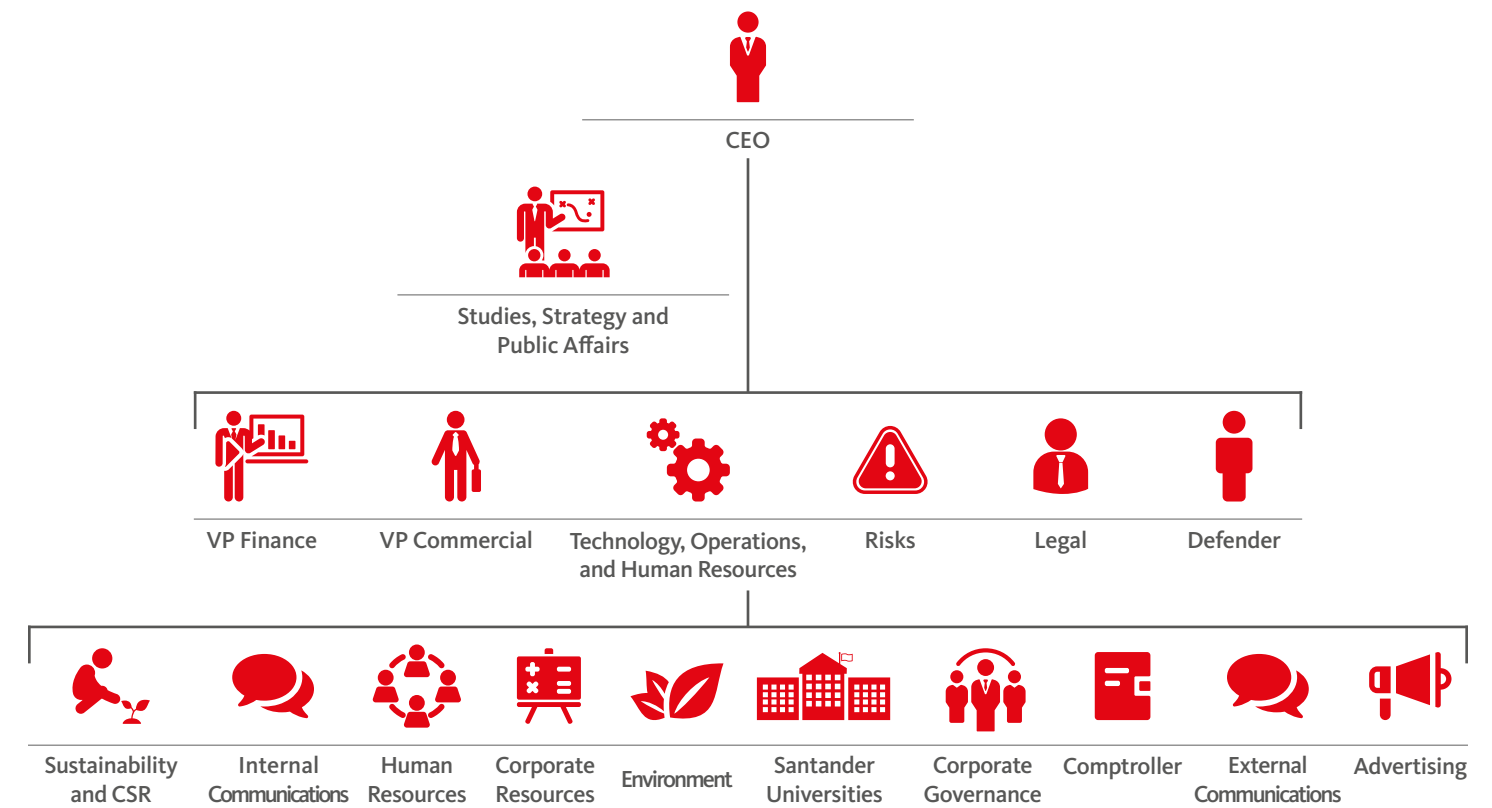
[G4-24, G4-25, G4-26, G4-27]

Stakeholder	Expectation	2016 Response	Communication Channel	Contact Frequency
 Suppliers	Fairness in the administration of the procurement process and long-term relations	Five meetings in 2016	Procurement Committee	Periodic
		100% of contracts managed with all suppliers in 2016 contain a Social Responsibility clause	Emails and meetings	Ongoing
 Competitors	Fair competition	The supplier standardization process incorporates the Global Compact principles	Online information about the central Aquanima Procurement Office	
		Santander Mexico is a regulated company that respects external fair competition regulations, and an active member of the Mexican Banks Association	Meetings and participation in the country's financial associations	Periodic
 Media	Ongoing management of the Group's information and position	Preparation and dissemination of 20 press releases, management of the Group's events, and information for mass media	<ul style="list-style-type: none"> Telephone number: +52 (55) 5257-8124 Email address: agduran@santander.com.mx 	Ongoing




Santander Mexico's Local Sustainability Committee


Sustainability means being consistent with what we say and do. So, we have a Sustainability Committee in line with our corporate policy, whose primary function is to endorse the strategies and actions that shape the Group's sustainability model and policies, to make them part of the organization's culture in its day-to-day operations.




At Santander, we meet our commitment to:




Integrate ethical, social, and environmental practices in the Group's operations.



Maintain stable and long-term relations with stakeholders built on trust.



Consolidate the best Corporate Governance practices.



Anticipate economic challenges and changes to adopt sustainable actions to reduce their impact.

These actions constitute a regulatory framework for sustainability in everything we influence and make sure that the Group in Mexico is in line with Grupo Santander's social, environmental, climate change, and corporate volunteering policies and global business strategies.

Corporate Governance and Business Ethics

Being sustainable involves working with ethics to ensure business profitability and give value to the people and companies with which we interact. The corporate frameworks, codes, and manuals governing our daily activities constitute the regulatory and ethical axis that looks after the interests of our stakeholders' in every decision we make.

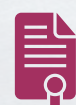
Hours of training for the Group's employees in Mexico:



47%

of all board members are independent, and one is a woman

G4-38



100%

of all directors go through the annual Corporate Governance Certification process



The 4

Board Committees met 23 times in 2016



General Code of Conduct:

13,738 hours

Risk Management:

25,131 hours

Anti-Money Laundering:

53,321 hours

Anti-Corruption:

19,327 hours

Corporate Governance

[G4-34, G4-35]

Being sustainable means providing assurance for our shareholders and stakeholders about the proper management of our business resources and value. We do this through our Corporate Governance that acts as a strategic axis for Santander Mexico's sustainability management and ensures its unwavering compliance with the codes and regulations in force in Mexico.

Corporate Governance ensures the protection of shareholder rights and timely disclosure of transparent and accurate information about the Group's business situation. After the General Shareholders' Meeting, our Corporate Governance Division is the primary party responsible for the Group's decision-making processes.

Supported by a team of objective, committed, and experienced professionals, our Board of Directors and its different committees exercise their powers of review, approval, and monitoring of the guidelines that maintain the ethical and transparent structure of the Group's operations. These practices reassure individuals and businesses of the optimal management of our business resources.

The Board's Committees identify, analyze and monitor all matters and decisions that are relevant to the Group. The agreements adopted by our Board are recorded in the minutes to ensure management's timely follow-up of related actions. This is how the Board manages and oversees the implementation of its guidelines on the Group's economic, ethical, social, and environmental issues that are relevant to sustainability.

Board of Directors

[G4-38, G4-39]

In 2016, the Board of Directors held five meetings and approved the Group's social, environmental and corporate governance policies, while also establishing new corporate governance frameworks, and updating the internal control system. These tools complement our governance and contribute to the Group's proper performance.

The following changes were made to the Board of Directors in 2016:

- Mr. Guillermo Francisco Vogel Hinojosa was appointed to serve as a new Alternate Independent Director for Series "B" shares.
- Mr. Antonio Purón Mier y Terán resigned his position as Alternate Independent Director of Series "B" shares and was appointed to serve as Regular Independent Director of Series "F" shares.
- Mr. Fernando Borja Mujica resigned his position as Non-Independent Director for Series "F" shares, to serve as Secretary of the Board of Directors.

Regular Independent Directors Series "F" Shares	Date of Appointment	Years on the Board	Age
Mr. Guillermo Güemez García	14/05/2012	4 years	75 years old
Mr. Joaquín Vargas Guajardo	19/02/2009	7 years	63 years old
Mr. Juan Gallardo Thurlow	13/04/2013	4 years	69 years old
Mr. Antonio Purón Mier y Terán	19/02/2009	7 years	63 years old

Independent Alternate Directors Series "F" Shares	Date of Appointment	Years on the Board	Age
Mr. Eduardo Carredano Fernández	21/04/1997	19 years	65 years old
Mr. Jesús Federico Reyes Heróles González Garza	19/02/2009	7 years	64 years old

[G4-LA12]

Non Independent Regular Series "F" Directors	Date of Appointment	Years on the Board	Age
Mr. Marcos Alejandro Martínez Gavica	21/04/1997	19 years	63 years old
Mr. Hector Grisi Checa	25/11/2015	1 year	50 years old
Mr. Rodrigo Echenique Gordillo	28/04/2015	1 year, 8 months	70 years old
Mr. Angel Rivera Congosto	25/11/2015	1 year, 8 months	50 years old
Mr. Rodrigo Brand de Lara	14/05/2012	4 years	44 years old

Non-Independent Alternate Series "F" Directors	Date of Appointment	Years on the Board	Age
Mr. Francisco Javier Hidalgo Blázquez	25/04/2014	2 years	59 years old
Mr. Vittorio Corbo Lioi	14/05/2012	4 years	73 years old
Mr. Pedro José Moreno Cantalejo	24/10/2006	10 years	53 years old



5.2%

of all board members are under 50 years old. 94.7% are above 50.

The same percentages are equal to the gender breakdown of all board members.

Regular Independent Directors, Series "B" Shares	Date of Appointment	Years on the Board	Age
Mr. Fernando Ruiz Sahagún	27/11/2003	13 years	74 years old
Mr. Alberto Torrado Martínez	19/02/2009	7 years	53 years old
Ms. Gina Lorenza Diez Barroso Azcárraga	25/04/2014	2 years	61 years old

Alternate Independent Directors, Series "B" Shares	Date of Appointment	Years on the Board	Age
Mr. Enrique Krauze Kleinbort	25/02/2010	6 years	68 years old
Mr. Guillermo Francisco Vogel Hinojosa	05/12/2016	2 weeks	66 years old

Executive Directors	Position
Mr. Héctor Grisi Checa	Chairman and Chief Executive Officer
Mr. Pedro José Moreno Cantalejo	Vice President Administration and Finance
Mr. Francisco Javier Hidalgo Blázquez	Vice President Commercial Banking
Mr. Didier Mena Campos	Deputy Director Finance
Mr. Emilio de Eusebio Saiz	Deputy Director Intervention and Management Control
Mr. Jorge Arturo Arce Gama	Deputy Director Global Corporate Banking
Mr. Roberto d'Empaire Muskus	Deputy Director Risk
Mr. Pablo Fernando Quesada Gómez	Deputy Director Corporate Banking and Institutions
Mr. Jorge Alfaro Lara	Deputy Director Products
Mr. Carlos Hajj Aboumrad	Deputy Director Corporate Resources Recovery
Mr. Fernando Borja Mujica	Deputy General Counsel
Mr. Rodrigo Brand de Lara	Deputy Director Studies, Strategy, Public Affairs, and Chief of Staff of the Office of the Chairman
Mr. Juan Ramón Jiménez Lorenzo	Chief Compliance Officer
Mr. Juan Pedro Oechsle Bernos	Deputy Director Channels and Distribution
Mr. Enrique Mondragón Domínguez	Deputy Director Technology, Operations, and Human Resources
Mr. Alejandro Diego Cecchi González	Deputy Director Customers
Mr. Javier Alejandro Chávez Ruiz Breen	Chief Innovation Officer

Mr. Marcos Alejandro Martínez Gavica.

Chairman of the Board of Directors of Grupo Financiero Santander México and its financial institutions. He served as a member of the Santander Management Board of Directors between 2002 and 2013. He began his career in 1978 at Banco Nacional de México, S.A. holding various Bank management positions. Mr. Martínez served as President of the Banks of Mexico Association from 2005 to 2007. He is a Chemical Engineer by Universidad Iberoamericana and has an MBA with a specialty in financial planning by IPADE Business School.

Mr. Héctor Grisi Checa.

Chief Executive Officer and President of Grupo Financiero Santander México and Banco Santander Mexico. He served as Chief Executive Officer and President of Credit Suisse Mexico from 2001 to 2015, and as Director General for the same institution between 2001 and 2006, after serving as Director of Investment Banking at Credit Suisse Mexico from 1997 to 2001. Mr. Grisi was a member of the Board of Directors of Credit Suisse Americas, and of the Global Committee and Credit Suisse Americas Operating Committee. He also held various positions in the corporate and investment banking divisions at Grupo Financiero Invermexico from 1991 to 1997. Between 1986 and 1991 he worked in the Corporate Banking Department at Casa de Bolsa Inverlat. He served as Vice President of the Banks of Mexico Association from 2011 to date. He holds a degree in Finance from Universidad Iberoamericana in Mexico City, where he graduated with honors.

Mr. Rodrigo Echenique Gordillo.

currently serves as executive vice president of Parent Company Banco Santander and President of NH Hotels, S.A., while also sitting on the Inditex, S.A. Board of Directors. Between 1999 and 2014 he served as a member of the Board of Directors and the Executive Committee of Parent Company Banco Santander, while also sitting on other committees. Mr. Echenique also served as Vice President of Banco Banif, S.A. and President of Allfunds Bank, Vice President and President of SPREA and as a member of the Santander International and Santander Investment Board of Directors, president of Vallehermoso, S.A., Lar, S.A., and Vocento, S.A. while also sitting on the board of several industrial and financial companies including Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A., and Accenture, S.A., Lucent Technologies and Quercus and Agrolimen, S.A. He has served as a member of the Executive Committee and Board of the Banco Santander Headquarters Foundation while serving other organizations Pro-bono. From 1994 to 1999 he served as a member of the Board of Directors and Executive Committee of Parent Company Banco Santander and sat on all committees. He also served as vice president director of Banco Santander Business and Santander Investment. Between 1984 and 1994, he served as Deputy Director of Parent Company Banco Santander and was later appointed Deputy Director and then CEO. In 1998, he was appointed to serve on



the Board of Directors of Parent Company Banco Santander and as a delegate member of the Executive Committee. From 1976 to 1983 he worked as Deputy Director and Head of Legal Services of Banco Exterior de España, and as Deputy Director and a member of the Steering Committee. Between 1973 and 1976 he held various positions in the state administration, such as Treasurer of Pontevedra and Madrid, Secretary General of Post and Telecommunications Services, and Technical Adviser to the Spanish cabinet office. He has a law degree from the Complutense University of Madrid.

Mr. Don Ángel Rivera Congosto.

currently serves as Director General of the Commercial Banking Division of Parent Company Banco Santander, and as a member of the Board of Directors of Parent Company Banco Santander, and Banco Santander Peru and Uruguay. Mr. Rivera started working for the Grupo Santander Parent Company in April 2013 as Director General of the Companies, SMEs and Institutions Department of the Commercial Banking Division. He worked at Grupo Banco Popular for 24 years, including a position in retail branches for six years and then directed the Office of the Chairman and the International Banking Division where he was also responsible for the Group's correspondent banks and offices abroad, the Corporate Development and Strategy Department. He also served as Media Director responsible for Technology, Organization, Operations, Human Resources, and the Commercial Network, and the Commercial Network Division responsible for Banco Popular's network of branches and five subsidiary banks, marketing, and business intelligence. He also served as a member of the Steering Committee, the Delinquency and Recoveries Committee and the Asset Liability Committee, and served on the Risk Committee for five years. He has held the following positions during his more than 25 years in the insurance and banking sectors: President of Mediation at Banco Popular, Chairman of the Board of Directors of Pastor Mediación Seguros, Vice President of Alianza Popular and President of Pastor Vida; President of Europensiones, Vice President of Eurovida, Asepeyo Director, President of Popular Management, President of Factoring Portugal at Popular, member of the Board of Directors of Heller Factoring at Popular Factoring Spain, Banco Popular Por-

tugal, Popular Private Bank, Targobank, 4B, Iberia Cards, and Pastor Financial Services. He had a Diploma in Business and Tourist Activities from the Official School of Tourism of Spain and completed the IPADE Business Management Program at IESE at the University of Navarra, and the Development Program in Corporate Finance at the Business Institute of Madrid. He has also completed several financial programs in the United States and Australia and is a member of the Australian Institute of Banking & Finance.

Mr. Rodrigo Brand de Lara.

has served as Deputy Director of Research, Strategy and Public Affairs and Chief of Staff of Banco Santander Mexico since 2011. In 2010, Mr. Brand served as Director General of Social Communication of the Mexican Ministry of Foreign Affairs. From 2006 to 2010, he served as head of the Social Communication Unit and Spokesperson for the Ministry of Finance and Public Credit. Between 2004 and 2006 he served as Director General of Social Communication and Institutional Liaison at the Mexican Bank Savings Protection Institute (IPAB) after holding the following positions in the Ministry of Finance and Public Credit: Deputy Director General of Analysis and Finance between 2003 and 2004; Senior Adviser to the Undersecretary of Finance and Public Credit from 2000 to 2001; Deputy Director General of Coordination and Internal Credit from 1999 to 2000. Between 1996 and 1999 he served as an economist for Deutsche Morgan Grenfell in Mexico and 1996 also acted as an Adviser to the Assistant Director of Financial Engineering at Banobras. He has a degree in Economics from the Autonomous Technological Institute of Mexico (ITAM).

Mr. Vittorio Corbo Livi.

currently serves as non-executive Chairman of the Board of Banco Santander Chile. Mr. Corbo is a researcher at the Center for Public Studies in Santiago, Chile, a part-time professor of economics at the Pontifical Catholic University of Chile and Universidad de Chile. Between 2011 and 2014, he served as a member of the Board of Directors of Banco Santander Spain Banco Santander Chile, SURA, S.A., Empresa Nacional de Electricidad, S.A. (Endesa Chile) and United Breweries in Chile. He is chairman of the Board of Directors of SURA Chile, a financial consultant for

several companies and adviser to the World Bank, the International Monetary Fund and the Center for Social and Economic Research. He is also president and majority shareholder of Vittorio Corbo & Associates. Between 2003 and 2007 he served as Chairman of the Central Bank of Chile. From 2000 to 2002 he served as Vice President of the International Economic Association. Between 2000 and 2003 he sat on the Global Development Network board. From 1991 to 2003 he served as tenured professor of economics at Pontifical Catholic University of Chile. Between 1984 and 1991 he held various administrative positions at the World Bank. From 1979 to 1982 he served as professor of economics at Concordia University in Montreal and taught at Georgetown University from 1986 to 1991. He is a Commercial Engineer by Universidad de Chile and has a Ph.D. from MIT, where he is a postdoctoral researcher.

Mr. Francisco Javier Hidalgo Blázquez.

has served as Vice President of Commercial Banking of Banco Santander Mexico since 2014. Between 2013 and 2014, Mr. Hidalgo served as Deputy Director of Private Commercial Banking at Parent Company Banco Santander. From 2012 to 2013 he served as Executive Vice President in the America Division of Parent Company Banco Santander. Between 2010 and 2012 he was Chief Executive Officer and President of Grupo Financiero Santander Puerto Rico. From 2005 to 2013 he served as Deputy Director of Global Wholesale Banking and the Commercial Division, Deputy Director of the Americas Division, Deputy General Manager of the Global Banking and Markets Division, Deputy General Manager of the Commercial Banking Division and Global Wholesale Banking Manager at a regional and global level at Parent Company Banco Santander. He also held several management positions at Banque Nationale of Paris between 1982 and 1991. He has a law degree from the Complutense University of Madrid and an MBA from IESE in Barcelona.

Mr. Pedro José Moreno Cantalejo.

has served as Vice President of Administration and Finance for Banco Santander Mexico since October 2010. Between 2006 and 2010, Mr. Moreno served as Deputy General Manager of Finance for Banco Santander Mexico. From 2004 to 2006 he sat on

the Board of Directors of Santander Consumer EFC Spain, Santander Consumer UK, Ltd., and Santander Consumer Bank in Poland, among others. During this time, he also served as Chief Financial Officer and Chief Risk Officer of the Parent Company Banco Santander's European division. Between 2001 and 2004 he served as Financial and Strategic Director of the European Division of Parent Company Banco Santander. In 1991, he joined Grupo Santander working at Grupo Hispamer Grupo Financiero in several positions until 1998 when was appointed CEO and Vice President of Investment Banking of Banco Central Hispanoamericano. Between 1991 and 1998 he worked as Director of Organization Control and Systems at Mercedes-Benz Leasing and Financing. He started his banking career in 1985 as Director General of GESBICA Caja Postal de Ahorros Madrid. He has a degree in Economics from the Autonomous University of Madrid, a Master's Degree in Banking and Financial Services Management from the Commercial Studies Center, and an Executive MBA from the ESDEN Business School.

Mr. Guillermo Güemez García.

sat on the Board of Directors of Zurich Insurance Company, S.A. and INGfore, chaired the Audit Committee at Zurich Insurance Company, S.A., and served on the INGfore Investment Committee. He also served as a member of the Board of Directors of Zurich Santander Mexico. In addition, he serves as a member of the Strategy Committee and Finance of Nacional Monte de Piedad, as a member of the Board of GEUPEC, S.A. de CV; as a member of the senior advisory board of Oliver Wyman and as chairman of the advisory board of Business Administration and Economics at Universidad Panamericana. Between 1995 and 2010, he served as Deputy Governor and Chairman of the Responsibilities Committee at the Mexican Central Bank. From 2007 to 2010 he served as a member of the cabinet at the Mexican Banking and Securities Commission. Between 1995 and 1997 he served as an alternate member of the cabinet of the Mexican Insurance and Bonds Commission. From 1991 to 1993 he served as Executive Director of Business Coordination for the North American Free Trade Agreement. He also held various executive positions at Banamex between 1974 and 1990. He has a degree in civil engineering, with honors, from the National Autonomous University of Mexico and a Master of Science from Stanford University in California in the USA.

Mr. Joaquín Vargas Guajardo.

has served as Chairman of the Board of Directors of Corporación Mexicana de Restaurants, S.A.B. de C.V. and Chairman of the Board of Directors of Grupo MVS Comunicaciones, of the National Chamber of the Radio and Television Industry and the National Chamber of the Radio and Television Industry. He has also served as a director of several companies, including Vitro, S.A.B. de C.V., Grupo Posadas, S.A.B. de C.V., El Universal daily journal, Médica Sur, S.A.B. de C.V., Grupo Aeroportuario del Pacífico, S.A.B. de C.V., and Grupo Costamex, among others. Between 1997 and April 2005, and April 2008 and April 2012 he served as a member of the Board of Directors of the Mexican Stock Exchange. He holds a degree in Business Administration from Tecnológico de Monterrey and has taken courses at the IPADE Business School.

Mr. Juan Ignacio Gallardo Thurlow.

has served as chairman of the Board of Directors of the PepsiCo Group of Bottlers and Brands in Mexico, Grupo GEPP, and Grupo Azucarero México, S.A. de C.V. He sits on the Board of Directors of Caterpillar Inc. and Lafarge, S.A., and on the international advisory board of Bombardier Inc. He is a member of the Mexican Business Council (Consejo Mexicano de Hombres de Negocios, A.C.) and the Latin America Business Council. He is the General Coordinator for COECE, the Coordination Office for Foreign Trade Business Organizations for negotiations in Free Trade agreements to which Mexico is a party. Between 1978 and 1989 he served as a member of the Board of Directors of Babcock Mexico, S.A. de C.V. From 1974 to 1988 he chaired the Clevite de México, S.A. de C.V. Board of Directors, and between 1981 and 1983 he served as Deputy General Manager of Grupo Industrial Minera México, S.A. From 1976 to 1980 he served as Director General of the International Division and Investment Banking at Multibanco Comermex, S.A., a full-service banking institution. He has a law degree from Escuela Libre de Derecho and took the AD II Senior Management Program at the IPADE Business School.

Mr. Antonio Purón Mier y Terán.

has served as a member of the Board of Directors of Nadro, S.A., and of the Board of Trustees of the National Art Museum of Banco Santander Spain, and of the Universidad Iberoamericana Board of Trustees. He has also served as a member of the Board of Directors of Zurich Santander Seguros México, S.A., and Associate at the Center for Research and Economic Analysis (CIDAC), as well as a member of the Institute of Development and Educational Research (CMAC), and Metrópoli 2025. Mr. Purón has also served as a consultant on strategy, operations, and organization for public and private institutions in collaboration with the Center for Economic Research and Teaching (CIDE) with other specialists. He was director-partner at the McKinsey & Company, Inc. office in Mexico for more than 26 years. He has taught training courses to McKinsey members and has overseen the firm's coaching partners program worldwide. Before joining McKinsey, he was a tenured professor at Universidad Iberoamericana and worked for the Mexican Petroleum Institute, and Ingeniería Panamericana y Polioles, S.A. He is a Chemical Engineer by Universidad Iberoamericana and has an MBA from Stanford University in California in the USA.

Mr. José Eduardo Carredano Fernández.

is chairman of the Board of Directors of La Ideal S.A. de C.V., Aceros La Ideal S.A. de C.V., Industrial Formacero, S.A. de C.V., and Fianzas Asecam, S.A., Inmobiliaria Silver, S.A. de C.V., Asecam, S.A. de C.V., and Grupo Financiero Asecam, S.A. de C.V. He served on the Board of Directors of Credicam, S.A. de C.V., SOFOM E.R. between 1991 and 2008, Seguros Génesis, S.A. from 1993 to 1997, and Fianzas Asecam, S.A. between 1994 and 2014. Mr. Carredano studied Public Accounting at the Universidad Iberoamericana.

Mr. Jesús Federico Reyes Heróles González Garza.

served as Director General of Petróleos Mexicanos from 2006 to 2009. He is Executive President of StucturA and sits on the Board of Directors of OHL México, S.A.B. de C.V. and Water Capital Mexico (WCAP Holdings, S.A. de C.V.). He is a member of the Advisory Board of the Energy Intelligence Group. Between 2010 and 2012 he served as a member of the Advisory Board of Deutsche Bank. He is a member of the Water Advisory Council, and Chairman of the Water Committee of the Gonzalo Río Arronte Foundation. From 1997 to 2000 he served as Ambassador of Mexico to the United States. Between 1995 and 1997 as Mexico's Secretary of Energy. From 1994 to 1995 he served as Director General of Banobras. Between 1993 and 1994 he represented Mexico in the PACE Eminent Persons Group. He has a degree in Economics from the Autonomous Technological Institute of Mexico and a law degree from the National Autonomous University of Mexico, and a Ph.D. in economics from Massachusetts Institute of Technology.

Mr. Fernando Ruiz Sahagún.

is a member of the Board of Directors of the Mexican Stock Exchange, Fresnel, plc.; Grupo Cementos de Chihuahua, S.A.B. de C.V., Grupo México, S.A.B. de C.V., Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Polecat, S.A.B. de C.V., Empresas ICA, S.A.B. de C.V., Kimberly Clark de México, S.A.B. de C.V., Mexichem, S.A.B. de C.V., San Luis Corporación, S.A.B. de C.V., and Marcelo Ital Las Truces, S.A. de C.V. He has served as a member of the International Fiscal Association (IFA) and the Mexican Institute of Finance Executives, as well as the Mexican Institute of Public Accountants. He is one of the founding members of fiscal tax firm Chavez, Ruiz, Paramaribo y Cía. where he has served as a consultant. He holds a degree in Accounting from the National Autonomous University of Mexico.

Mr. Alberto Torrado Martínez.

is a member of the Board of Directors of the Mexican Stock Exchange and chairman of the Communication Council. Between 1998 and 2011 he served as chairman of the Board of Directors and CEO of Alsea, S.A.B. de C.V. He has also served as President of the National Association of Fast Food Services, and as a member of the Board of the National Chamber of Restaurants and Seasoned Foods Industry. Mr. Torrado is one of the founding partners of Torque, S.A. de C.V., where he served as CEO from 1990 to 1999. Between 1984 to 1989 he served as CEO of Candiles Royal, S.A. de C.V. He has an accounting degree from the Autonomous Technological Institute of Mexico (ITAM), has completed graduate studies at the IPADE Business School, and has taken several courses at Harvard Business School and Wharton School of the University of Pennsylvania.

Ms. Gina Diez Barroso Azcárraga.

is the founder and served as President of Dairy Group, S.A. de C.V. and the Dairy Foundation for more than 20 years. In 2004, she founded CENTRO de Diseño y Comunicación, S.C. that won an award for best design school in 2012-2013. Ms. Diez founded the Pro-Education Foundation. She sits on several national and international board committees and groups, including Americas Society and Council of the Americas, Qualitative of Life Foundation, Grupo Integral de Desarrollo Immobilization, 2000s Foundation Board, Global Spa and Wellness Summit, The Committee of 200 Women Business Leaders of the World, the Women President's Organization, and Women Corporate Directors. She has a design degree from Universidad CDI and several diplomas from the School of Psychology and Business at Stanford University.



Mr. Enrique Krauze Kleinbort.

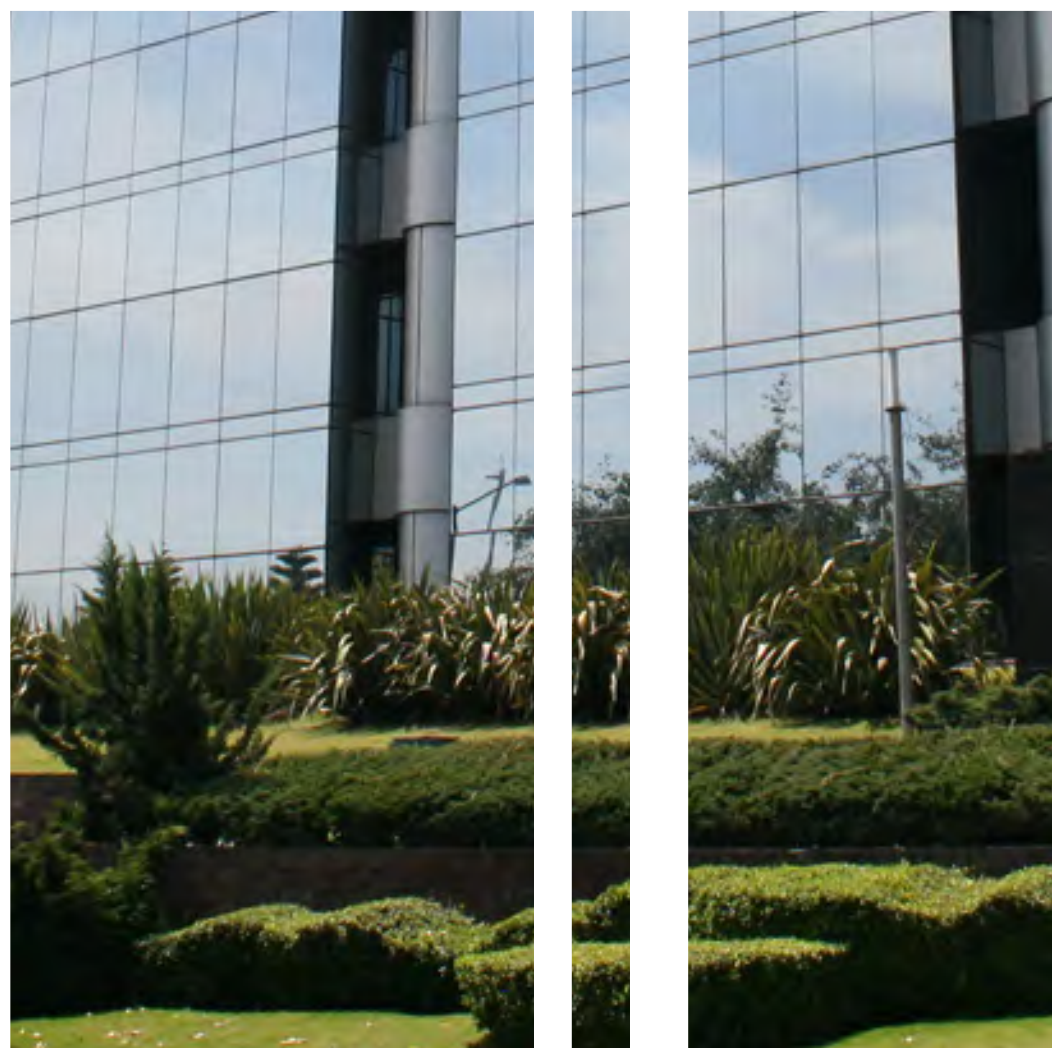
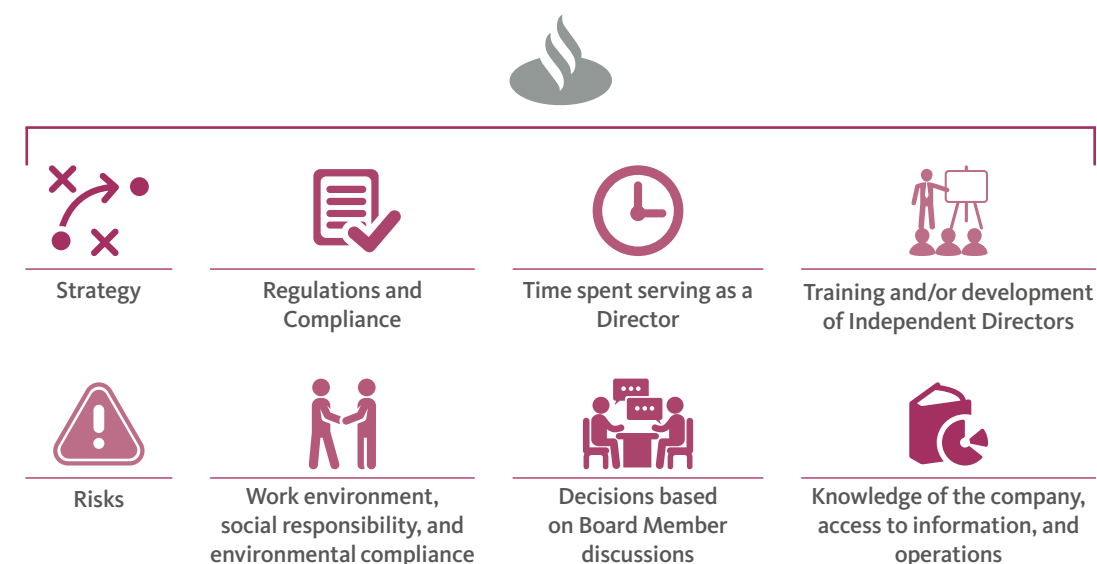
In September 2007, he received an Honorary Degree from the Autonomous University of Nuevo León. In July 2006, he was awarded the Ezekiel Montes Ledesma medal by the government of the State of Querétaro in Mexico. In April 2005, he became a member of the National College. In December 2003, the Spanish government awarded him the Grand Cross of the Order of Alfonso X, the Wise. Mr. Krauze won the Comillas de Biografía Award in Spain in 1993. He has published numerous books in the last 30 years. He is the author of numerous documentaries and television series about the history of Mexico. In 1990, he joined the Mexican Academy of History. In 1991, he founded the Clio publishing house, where he served as CEO. He is an industrial engineering degree from the National Autonomous University of Mexico (UNAM) and holds a Ph.D. in History from El Colegio de México.

Mr. Guillermo Francisco Vogel Hinojosa.

is President of the Mexican Iron & Steel Chamber (CANACERO), after serving in the same position between 1987 and 1989, and from 2001 to 2003. He is Vice Chairman of the American Iron & Steel Institute (ASSISI) and president of the North American Steel Council. Mr. Vogel is a member of the boards of Tenaris, Techint México, Corporación ALFA, Universidad Panamericana-IPADE, Rassini, Corporación Mexicana de Inversiones de Capital, Innovare, and Grupo Assay, among others. He also chairs the Grupo Collado and Exportaciones IM Promoción boards is a member of the Trilateral Commission and the International Advisory Board of the Manhattan School of Music. He served as CEO and EVP of TAMSA in 1987. In June 1997, he was promoted to serve as Vice President of the Board of Directors. Since 2002, he has served as Director and Vice President of the TENARIS Board of Directors. Mr. Vogel began his career in Corporate Banking at Bank of America in Los Angeles, California in 1976, where he reached the position of Vice President. In 1979, he joined the Banamex Corporate Banking Division and decided to move to Tamsa as CFO in 1983. He has a degree in business administration from the National Autonomous University of Mexico (UNAM) and an MBA from the University of Texas at Austin.



In 2016, we maintained our efforts to strengthen the Board's competence and performance by applying the Annual Self-Assessment Questionnaire to all Board Members to assess:



Director appointments begin with the candidate proposed by the Office of the CEO and approved by the Executive Committee. It is then submitted to a vote and approved by the Special Shareholders' Meeting. Mexican law sets no limit on a board member's tenure; hence, it is determined by the director's performance and assessment conducted by the Shareholders Meeting. The Board of Directors also appoints the Board's Committee members.

The documents to be discussed and approved by the Board are delivered to all directors before each meeting. They are also stored on the Board's website, which can only be accessed by the authorized directors.

The Customer and Employee Ombudsmen provide the Board of Directors with a means for interaction that is independent of the Bank's operations, allowing it to understand and recognize the needs of these two groups of strategic stakeholders. Besides the Ombudsman, Santander Mexico provides different channels for filing claims, and Committees and the Management Team that inform the Board of relevant information to ensure the Group's proper and ethical operations.

[G4-40]

The process to select and appoint Board, Committee, and Management Team members is controlled by strict legal criteria and competencies that allow the Bank to verify the technical quality, honesty, knowledge, and financial, legal and/or administrative expertise of all members.





[G4-51]

The assessment of incumbency and internal equity studies is the basis used to determine officer and director compensation packages, while competitiveness of compensation is guaranteed with a benchmarking process and the implementation of individual compensation plans approved by an Assessment Committee.

Please go to www.santander.com.mx/ir/informacion-anual/ for detailed information about the Bank's compensation packages.

In 2016, the Board of Directors held five meetings on the following dates:

- January 28
- April 21
- June 23
- July 21
- October 27

Some of the matters discussed in these meetings are listed as follows:

- The Company's annual budget
- The Compliance Division's Annual Work Program
- Internal Control System updates
- Appointment and ratification of the President, Secretary, and Assistant Secretary of the Board of Directors
- Proposal and adoption of the Code of Conduct for Securities Markets and the General Code of Conduct
- Corporate Governance and Social Environmental Policy

Board Committees

[G4-34, G4-35, G4-38, G4-45, G4-46 y G4-47]

The Board's Committees identify, analyze and monitor all matters and decisions that are relevant to the Group. The four Standards Committees are the:

- Audit Committee
- Corporate Practices, Nominating, and Compensations Committee
- Comprehensive Risk Management Committee (CAIR)
- Compensation Committee

The Audit Committee held seven meetings in 2016. Some of the topics it discussed included approving the financial statements, reviewing the program and activities carried out by the Internal Audit Division and the Audit Committee, updating the Internal Control System's objectives and guidelines, and reviewing the Materiality Assessment and fraud control policy.

The Corporate Practices, Nominating, and Compensation Committee held seven meetings in 2016, where it discussed a review of the Corporate Governance Policy and Model and the Corporate Defense Policy presentation, and approved the Comprehensive Corporate Management Framework for Special Situations.

The Compensation Committee held four meetings in 2016 to assess the country's MBO Metrics, the KPMG Report, the Compensation Manual and the application of risk weights, among other topics.

Lastly, the Risk Committee met 12 times in 2016 to discuss matters related to liquidity stress testing, validation of the internal market risk model, the Comprehensive Risk Management Manual, the Comprehensive Corporate Management Framework for Special Situations, and legal, strategic, reputational, and operational risks, among other topics.

Audit Committee

Independent Members

Responsibilities

Mr. Fernando Ruiz Sahagún (Chair)

Be familiar with the audit rules related to the professional criteria used to prepare and submit financial statements audited according to the Public Company Accounting Oversight Board (PCAOB) that are subject to the Securities and Exchange Commission (SEC) rules.

Mr. Eduardo Carredano Fernández

- Prepare an opinion about the financial statements and other matters related to the audit, for the Board of Directors.

- Evaluate the performance of external and internal auditors and internal control, review the results and act on the findings and recommendations presented with the internal and external audit.

- Prepare an opinion on Management's Internal Control Report.

- Be familiar with, monitor, and follow up on the guidelines for requests for information required from financial institutions for decision-making purposes.

- Support the Board in preparing the annual report to be presented to the General Shareholders' Meeting.

- Be familiar with and authorize related operations and those linked to relevant employees.

- Supervise to ensure that the CEO implements the agreements adopted by the General Shareholders' Meetings.

- Inform the Board of relevant irregularities detected and of the corrective actions taken, as appropriate, ensuring management's implementation of such.

- Review the annual budget and recommend that the Board present it for approval.

Mr. Antonio Purón Mier y Terán

The Audit Committee may seek independent advice to ensure the proper performance of its duties, when appropriate.

Corporate Practices, Nominating, and Compensation Committee

Independent Members

Responsibilities

<p>Mr. Antonio Purón Mier y Terán (Chair)</p>	<ul style="list-style-type: none"> • Convene shareholder meetings • Support the Board in preparing the reports to be presented to the General Shareholders' Meeting. • Review and make recommendations to the Board of Directors on the following matters: <ul style="list-style-type: none"> • Provide an opinion to the Board on policies and guidelines for use or enjoyment of the property comprising the Company's assets and actions with related parties. • Monitor compliance with general corporate practices established in the applicable laws and regulations. • Be familiar with unusual or non-recurring operations. • Be familiar with the organization and strategic Human Resources succession planning.
<p>Mr. Fernando Ruiz Sahagún</p>	<ul style="list-style-type: none"> • Be familiar with the dispensations granted to a director, officer or person with relevant control to leverage internal business opportunities for themselves or third parties. • Assist with supervising the proper management, direction and implementation of the Group and its Financial Institutions' strategies. • Support the Board in establishing policy to focus on ensuring that the Company's activities are conducted within the established legal framework and have adequate legal defense.
<p>Mr. Eduardo Carredano Fernández</p>	<ul style="list-style-type: none"> • Recommend director and committee member pay. • Appoint and dismiss the CEO, and propose his/her compensation package. • Review Executive Officer appointment and compensation policies. • Review policies setting limits on the CEO and relevant officials' authority. • Submit proposals to the Board of Directors to take legal action against officials who breach the principles of loyalty and diligence.
<p>Mr. Jesús Federico Reyes Heróles González Garza</p>	<ul style="list-style-type: none"> • Propose and review internal criteria and procedures to be followed to determine the Board of Director's composition and select candidates nominated for director. • Propose and review internal criteria and procedures to select and permanently evaluate the CEO's performance, and the performance of Senior Executive Vice Presidents or similar key officers and other employees responsible for internal control functions or holding key positions to ensure the bank's daily operations, and report on their nomination and removal from office and continuous assessment. • Evaluate the Board and individual member's performance once a year. • Oversee compliance with general corporate practices established in the applicable laws and regulations.

Mr. Alberto Torrado Martínez The Corporate Practices Committee may seek independent advice to ensure the proper performance of its duties, when appropriate.

Risk Management Committee (CAIR) [G4-45, G4-46 y G4-47]

Independent Members

Responsibilities

<p>Mr. Guillermo Güemez García (Chair)</p>	<ul style="list-style-type: none"> • Recommend the following for the Board's approval: <ul style="list-style-type: none"> • Comprehensive Risk Management objectives, guidelines, and policies and all changes made to such. • Global and Specific Risk Exposure Limits. • Approve: <ul style="list-style-type: none"> • Methodologies and procedures to identify, measure, monitor, limit, control, report, and disclose the different risk types the institution faces (once a year). • Models, parameters, scenarios, assumptions, including those related to the stress tests established for liquidity risk to be used to perform the risk valuation, measurement, and control recommended by the Comprehensive Risk Management Unit (once a year). • Methodologies to identify, assess, measure, and control inherent to the new operations, products, and services the bank intends to offer the market. • Comprehensive Risk Management Manuals aligned with the objectives, guidelines and policies established by the Board. Risk Management Manuals should be technical documents containing, inter alia, policies, procedures, data flow diagrams, and the models and methodologies necessary to manage different risk types (Article 78). • Appoint and remove the person in charge of the Comprehensive Risk Management Unit, who must be ratified by the Board. • Report the following to the Board of Directors, at least once every three months: <ul style="list-style-type: none"> • The Institution's Risk Profile, risk exposure and adverse effects that could occur in its operations. • Failure to observe the Desired Risk Profile, the Risk Exposure Limits, and the Risk Tolerance Levels established. • The corrective actions implemented. • Ensure awareness by all personnel involved in taking risks, of: <ul style="list-style-type: none"> • The Desired Risk Profile, the Risk Exposure Limits, and the Risk Tolerance Levels established. • Report the Business Continuity Plan and effectiveness tests to the Board of Directors at least once a year. • Approve methodologies to estimate the quantitative and qualitative impact produced by Operating Contingencies. • Adjust or authorize exceeding Specific Risk Exposure Limits: <ul style="list-style-type: none"> • As an exception, with the Board's prior approval and in conformity with the Risk Management objectives, guidelines and policies and when so required by the Institution's situation and conditions. • Ask the Board to adjust or authorize the possibility of exceptionally exceeding the Global Risk Exposure Limits.
<p>Mr. Joaquin Vargas Guajardo</p>	
<p>Mr. Alberto Torrado Martínez</p>	
<p><i>Non Independent</i></p>	
<p>Mr. Marcos Alejandro Martínez Gavica</p>	<p>This committee meets once a month.</p>
<p>Mr. Héctor Grisi Checa</p>	
<p>Mr. Francisco Javier Hidalgo Blázquez *</p>	
<p>Mr. Pedro José Moreno Cantalejo *</p>	
<p>Mr. Roberto Eduardo d'Empaire Muskus</p>	
<p>Mr. Didier Mena Campos *</p>	
<p>Mr. Jorge Arturo Arce Gama *</p>	
<p>Mr. Rodrigo Brand de Lara *</p>	
<p>Mr. Fernando Borja Mujica *</p>	
<p>Mr. Emilio de Eusebio Saiz *</p>	
<p>Mr. Juan Ramón Jiménez Lorenzo*</p> <p>* With voice, but no vote</p>	

Compensation Committee	
Independent Members	Responsibilities
Mr. Antonio Purón Mier y Terán	
Mr. Fernando Ruiz Sahagún	<ul style="list-style-type: none"> Assess the risks the Institution faces, together with its administrative, control, and business units.
Mr. Eduardo Carredano Fernández	<ul style="list-style-type: none"> Disseminate employee compensation criteria and policy.
Non Independent Members	
Mr. Marcos Alejandro Martínez Gavica	<ul style="list-style-type: none"> Determine the rules and policies to manage, evaluate, calculate, and pay the different compensation plans.
Mr. Héctor Grisi Checa	<ul style="list-style-type: none"> Prepare annual management plan reports.
Mr. Roberto d'Empaire Muskus	<ul style="list-style-type: none"> Inform the National Banking and Securities Commission of the changes made to the Compensation System.
Mr. Enrique Mondragón Domínguez	<ul style="list-style-type: none"> Recommend the following for the Board's approval: <ul style="list-style-type: none"> Compensation policies and procedures. Employees or personnel subject to the Compensation System. Special cases or circumstances.
Mr. Emilio de Eusebio Saiz	<ul style="list-style-type: none"> Implement the Compensation System and keep it in the Institution.
Mr. Juan Ramón Jiménez Lorenzo	<ul style="list-style-type: none"> Report the compensation policies and procedures online.
Mr. Fernando Borja Mujica	<ul style="list-style-type: none"> Report the Compensation System's operation to the Board of Directors twice a year.
Ms. Rocio E. Bulhosen Aracil	



Corporate Citizenship

[G4-16]

Being sustainable means promoting the market's sound competition to favor welfare of people and businesses alike. In line with this principle, Santander belongs to several associations where it shares and endorses the ethical and sustainable development of the Mexican financial sector. Examples of these partnerships include the:

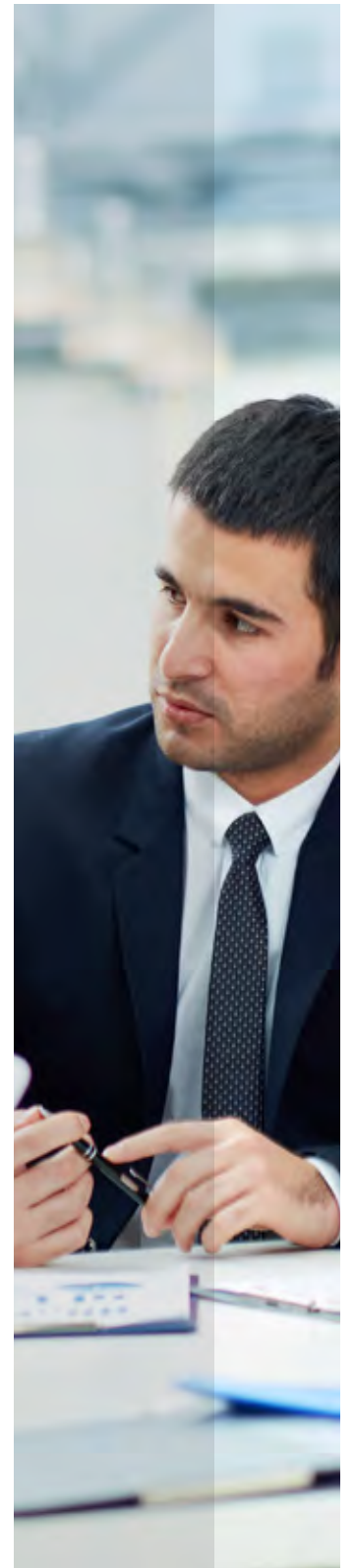
- Mexican Securities Industry Association
- Banks of Mexico Association
- Communication Council
- Issuers Committee of the Mexican Stock Exchange

In 2016, we maintained our commitment to the Sustainability Protocol of the Banks of Mexico Association intended to promote the institutionalization of the banking sector's commitment to the nation's sustainable development through five strategic axes:

1. Institutionalizing internal sustainability policies.
2. Managing environmental and social risks in the investment or credit processes
3. Sustainable investment
4. Efficient use of resources in internal processes
5. Monitoring and disseminating the sector's sustainability policy and practices

In supporting this industry commitment, the mechanisms established to analyze the Bank's social and environmental financial risks projects above USD 10 million, abide by the Equator Principles Santander Spain adheres to, for which we present a compliance report at a Group level, which can be found [here](#).

Also in 2016, our Board approved the Group's social environmental policy and maintained our commitment to the Global Compact Principles, by reducing paper consumption by more than 40% nationwide compared to last year, and provided MXN 2.061 billion in financing for a sustainable energy project (wind farm), and more than MXN 832 million for a wastewater treatment project.



Business Ethics

Being sustainable means protecting the integrity of our business, operations, employees, and customers. Therefore, we have structured tools for efficient risk management processes and to receive complaints, and train our staff in skills to prevent unlawful acts, as well as a comprehensive plan to ensure business continuity in any crisis. All this is aligned with the rules that apply at a national level, outlined by our head office and the international authorities, (stock market).

Code of Conduct

[G4-56]

Santander Mexico's General Code of Conduct is the highest regulatory and ethical framework governing the entire Group. It presents an alignment of all internal policies and operating manuals. The Code establishes the following general principles for all employees and directors:

- Equal opportunity and non-discrimination
- Respect for people - Human Rights
- Work and personal life balance
- Prevention of occupational hazards
- Environmental protection and social and environmental responsibility policy
- Collective rights

Mechanisms for Reporting [G4-58]

The General Code of Conduct covers and describes our reporting channel intended to listen and respond to employees who need to report allegedly illegal acts or breach of the code or internal manuals.

It is a strictly confidential internal reporting channel managed by the Office of the Chief Audit Officer Department in full adherence with the Federal Act on Protection of Personal Information Held by Private Parties and the institution's Privacy Policy. In 2016, the Group received two complaints about a breach of the Code, one less than in 2015. The fundamental characteristics of the reporting channel are:

1. Open door policy for all Santander employees

2. All reports are confidential and anonymous.
3. Retaliation or taking negative actions against someone reporting a complaint is strictly forbidden unless they are false, in which case they warrant disciplinary action.

In addition to the General Code of Conduct, our Reporting Channel Circular guarantees that all reports are handled with strict confidentiality parameters and efficiency based on the following process:

- Each complaint received is subject to an initial assessment to verify that it refers to possible breaches the General Code of Conduct or other sectoral codes or manuals, including alleged illegal or criminal acts. It also seeks to confirm that the complaint is well-grounded and not based on personal opinions or subjective assessments.
- The claim is then investigated by the relevant media, as appropriate.
- The results are reported to the different institutional committees upon completing the investigation.

Advice on ethical behavior [G4-57]

The Compliance Division resolves all issues that may arise concerning the implementation of the General Code of Conduct or the Prevention of Corruption, to provide employees with an advice mechanism on ethical and lawful behavior.

In 2016, Santander Mexico implemented the Learn about the Action and Control Program in which the Compliance Division held awareness sessions and workshops in all Bank regional offices. The workshops addressed a variety of topics, such as Investment Company, Anti-Corruption, Protection of Information, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). The Department trained more than 900 employees on site.

Another effective means to ensure understanding, acceptance, and monitoring of the General Code of Conduct is the training and re-certification process every employee is mandated to complete by law. By the end 2016, we provided a total of 13,738 hours of training on the Code, representing an 8.2% increase compared to the hours taught in 2015), equivalent to 100% of all Group employees nationwide.

General Code of Conduct Re-certification [G4-HR2]



Directors	454	118	572
Deputy Directors	630	362	992
Managers	2,036	1,709	3,745
Administrative and Operational Staff	3,374	5,055	8,429
Total	6,494 hours	7,244 hours	13,738 hours




13,738
 Code of Conduct training hours
 for employees of the Group in Mexico.



Risk Management

[G4-2, G4-45, G4-46 y G4-47]

Being sustainable reflects our interest in preventing and controlling the risks inherent in our operations, making sure we have an agile and efficient government structure that guarantees:

- Employee, director, and senior management's participation in decisions to ensure all risks are identified and monitored.
- The coordination of the three lines of defense for effective risk management and control.

- The alignment of objectives, monitoring compliance, and implementation of corrective measures.
- The existence of the proper risk management and control environment.

This structure is headed by the Board's Comprehensive Risk Management Committee (CAIR) responsible for the Group's risk management and overseeing the proper functioning of the Group's three lines of defense:

1 First line of defense:

Back Office, Support, and Risk Owner Departments

Consists of the lines of business that expose the Institution to the risks inherent in its activities

Goals:

Identify, mitigate, and monitor risk from its generation, in compliance with the Bank's policies and procedures.

Challenges:

Consolidate the approach to risks in each business, operational, and support activity.

2 Second line of defense

Compliance and Risks

Consists of teams specialized in risk control, supervision, and management.

Goals:

Control and monitor the risks to make sure that they are managed according to the Bank's risk appetite framework.

Supervise to ensure proper management of the processes used to identify and measured the risks assumed, without prejudice to the first line's needs.

Evaluate the effectiveness of the controls implemented in the business, support, and operations departments related to regulatory compliance.

Challenges:

Strengthen the use of risk tools that generate models and prepare comprehensive reports for business decision-making processes.

3 Third line of defense:

Internal Audit

Consists of the Internal Audit Department.

Goals:

Periodically evaluate policies, methods, and procedures to ensure their adequacy and that they are actually implemented in the institution's operational management activities.

Challenges:

Generate new and better communication channels with the other lines of defense.

Prudent risk management has been part of the Bank's philosophy since its inception, both in Mexico and across the globe. This approach has been instrumental in the Bank's recurrent earnings growth and creating value for our stakeholders.

The Santander risk policy maintains a medium-low and predictable risk profile. Therefore, the risk management model is fundamental to achieving our strategic goals.

The main risks Santander faces because of its activities are related to credit, the market, liquidity and financing, operations, compliance, and reputation.

Reputational risk management and compliance are especially relevant to sustainability. This is the reason why the compliance function is independent and at the highest level spanning the entire Bank, advising and reporting directly to the Board of Directors on risk matters related to compliance, behavior, reputation, money laundering prevention, terrorism financing, and penalties.

The compliance function includes different supervisory bodies such as the Local Marketing Committee to ensure the proper marketing and supply of products and services.

The School on How to Manage Risk in Mexico helps implement the Bank's risk strategy by establishing standard guidelines for developing curriculum for all departments, sharing best practices, leveraging synergies and continuously fostering teamwork among all Bank professionals. It is managed in a coordinated manner by the Deputy Risk Director, and the Deputy Director of Human Resources, Organization, and Costs who jointly plan the school's risk training activities.



The three lines of defense are reinforced with processes and external audit reports and financial statements. In 2016, the Bank changed auditors, as determined by the Board in 2015, to encourage independence and renew the audit process.



Quality risk management is an essential part of Santander's identity, and as such, a priority action and value creation axis.

* This Committee's duties are limited to Banco Santander, S.A. operations



The school has several mechanisms in place to help transmit and disseminate the risk culture, including knowledge maps, a risk classification catalog, higher risk programs, curriculum and instruction, technical, functional, or monograph information sessions, e-learning, and best practice sessions.

During 2016, the Advanced Risk Management program strengthened the risk culture within our Bank as well as the control and tracking activities related to each risk, such as credit, market, structural, liquidity, and operational risks, among others, maintaining an all-inclusive vision of our risks by improving our Risk Appetite, Risk Identification, Assessment, and different stress test exercises.

		 # of people trained	 Hours of training
Outsourced employees	SME LI and LII Risk Certifications	12	384
	Individual ER Risks	6	144
Agribusinesses 2016		49	784
Bank employees	Corporate Banking Risks Certification	736	6,547
	SME LI and LII Risk Certifications	545	15,488
	Simulation of the banking business	31	992
	Individual ER Risks	33	792
Total		1,412	25,131

The implementation of these exercises allows us to anticipate and act on the risks that may affect the Group's portfolio, budget, and profitability.

The Group revolutionized its risk culture by applying an assessment to all Bank employees to ensure continuous improvement of all activities, continual communication plans, and training about risks starting with induction courses and others, resulting in a better bank for our customers, employees, communities, and shareholders alike.

Money Laundering Prevention

The Bank's Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system is based on the AML/CFT policy, guidelines, directives, flows, and controls outlined in the General Policies and Procedures Manual aligned with local and corporate regulations. This manual is reviewed at least once a year to ensure compliance with the obligations arising from legislative amendments. We also conduct a risk certification and control program twice a year.

The AML/CFT system is based on the following concepts:

- Institutional support and support for all organization departments and divisions.
- A robust regulatory framework that reflects corporate requirements above local regulations.
- Development and implementation of local and corporate projects such as Legal Risk Assessment, Penalties, Correspondent Banking, and so on.
- Know Your Customer policies supported by validation processes that ensure the proper integration of all records.
- Periodic record update processes.
- Monitoring, analysis, and reporting of operations.
- Processes to prevent and mitigate legal and operational risks.

This system's internal structure is built on three main figures:




1. The Communication and Control Committee, the highest authority on AML/CFT comprising Deputy Directors and the Group's Business and Financial Control officers, and chaired by the Deputy General Counsel.

2. The Anti-Money Laundering Unit (AMLU) composed of six sub-divisions including the Monitoring Client Monitoring High-Risk Analysis, Risk Management, Strategy and Liaison and Implementation of Corporate System Norkom.
3. The Compliance Officer is responsible for implementing the AML/CFT system and certified by the regulatory authority.

Both this structure and the training and awareness programs allow us to maintain efficient control and risk prevention processes aligned with the products and services we offer to our customers.

In 2016, a total of 53,321 hours of training given to administrative and operational employees with the highest percentage of hours representing 60% of the total.

Anti-Money Laundering Course

			
Directors	3,012	767	3,779
Deputy Directors	2,646	1,589	4,235
Managers	7,342	5,995	13,337
Administrative and Operational Staff	12,827	19,143	31,970
Total	25,827 hours	27,494 hours	53,321 hours



We have optimized our Money Laundering Prevention processes by providing tools that facilitate compliance with our regulatory obligations.

Prevention of Corruption

[G4-SO3, G4-SO4 y G4-SO5]




Being sustainable means basing our actions on the principles of honesty and transparency. Therefore, to prevent corruption in our relations with administrations, organizations, civil servants, and private businesses, we reject any action that could be linked to embezzlement of public funds or property, bribery, extortion, influence peddling or any form of corruption in both the public and private sectors.

Consistent with the above, we established the Prevention of Corruption Policy applicable to Grupo Financiero Santander México. The Compliance Division and several support Committees are responsible for overseeing the policy's proper implementation and operation to set the standards that must be met on the subject matter. In general terms:

- Santander employees and directors must report all gifts received to the Compliance Division, including invitations to sporting, recreational or cultural events, conferences, and seminars, to request Compliance Division. The authorization must also be approved in writing by the Deputy Director or head of the business unit.
- Global Compliance requests a quarterly report on Corporate Defense indicators including the Prevention of Corruption Policy.

No cases of corruption were recorded in Grupo Financiero Santander in 2016. We have a corporate guidelines system called Heracles, that allows us to evaluate all (100%) of the Group's branches and offices, on matters related to ethical responsibilities, risks, and anticorruption issues. A total of 11,707 hours of training on tools and internal mechanisms to prevent corruption were taught at all levels of our organization in 2016.

	Board of Directors		Employees		Suppliers	
Have been informed of the organization's policies and procedures to fight corruption	19	100%	16,976	100%	738	100%

	Employees		Anti-corruption course		
Have received training on combating corruption	19,327*	100%			
			Directors	Deputy Directors	Managers
			653	908	2,912
			168	522	2,457
			821	1,430	5,369
			Administrative and Operational Staff		
			4,643	7,064	11,707
			9,116 hours	10,211 hours	19,327 hours

*The number of employees exceeds the total number of employees at the end of 2016 due to the fact that there were personnel losses and training for outsourcing personnel, among other reasons.



We have departments specialized in identity theft assessment and management. The Office of Information Security (OIS) and Incident Management have specific policies and mechanisms in place to prevent these events.

Personal Information Protection

[G4-PR8]

The collection, storage, processing, and transfer of personal information is carried out in compliance with current legislation and adherence to technical and operational controls to guarantee its protection. Internally, it is supported by the following policies:

- Incident Management Policy on Information Security, describing the type of incidents that might occur and how they should be reported according to their potential impact. The policy also refers to activities that must be carried out once an incident is detected. These are, among others (i) investigation, (ii) proposed mitigation, and (iii) corrective plans. The policy is developed and implemented by the Office of Information Security (OIS).
- [The Privacy Policy](#) establishing the Group's position on the protection of personal information and describes the following points, among others: (i) definitions, (ii) information about the party responsible, (iii) information provided by the owner of such, (iv) the reason why the information is being processed, (v) limits of use and dissemination of the information, and (vi) the media available to exercise ARCO (access, rectification, cancellation, and opposition) rights.

The Human Resources Division, together with the Compliance Division, provide training for employees handling high volumes of personal information, to heighten their awareness about its proper care and treatment. For customers, the Privacy Policy explains how the Group can use their personal information, whom they can transfer it to and how they can exercise their ARCO rights, while also providing information about the authorities they can go if they disagree with how the Bank handles their personal information.

During 2016, the National Institute of Transparency, Access to Information and Protection of Personal Data—the competent authority, did not receive any complaints about the Bank's handling of personal information.



Business Continuity

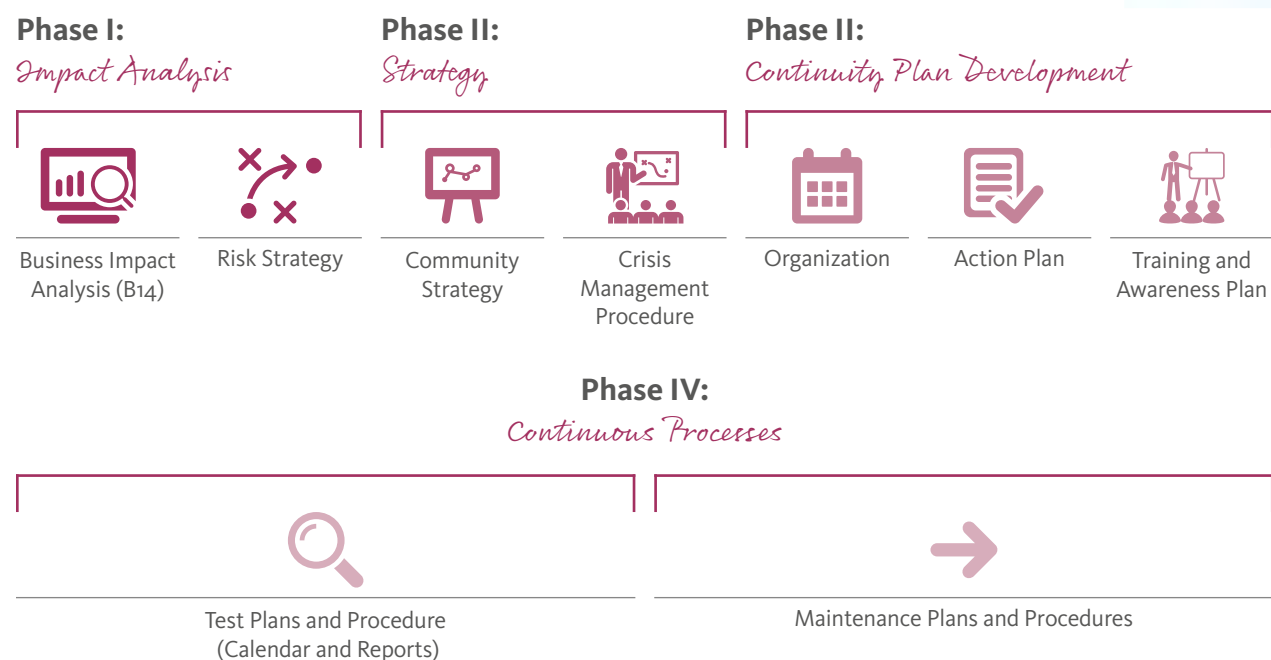
Grupo Santander has a Business Continuity Plan (BCP) in plan with a degree of flexibility to quickly respond to an unforeseen event. This plan reflects international standards and industry best practices, such as ISO 22301.

To date, we have specific strategies that ensure business continuity in three different scenarios:

- **Technological equipment**, communications, server, and data center failures.
- **Properties:** failures in buildings caused by natural disasters, among other causes affecting work performance.
- **Unavailability of the population**, such as pandemics and others.

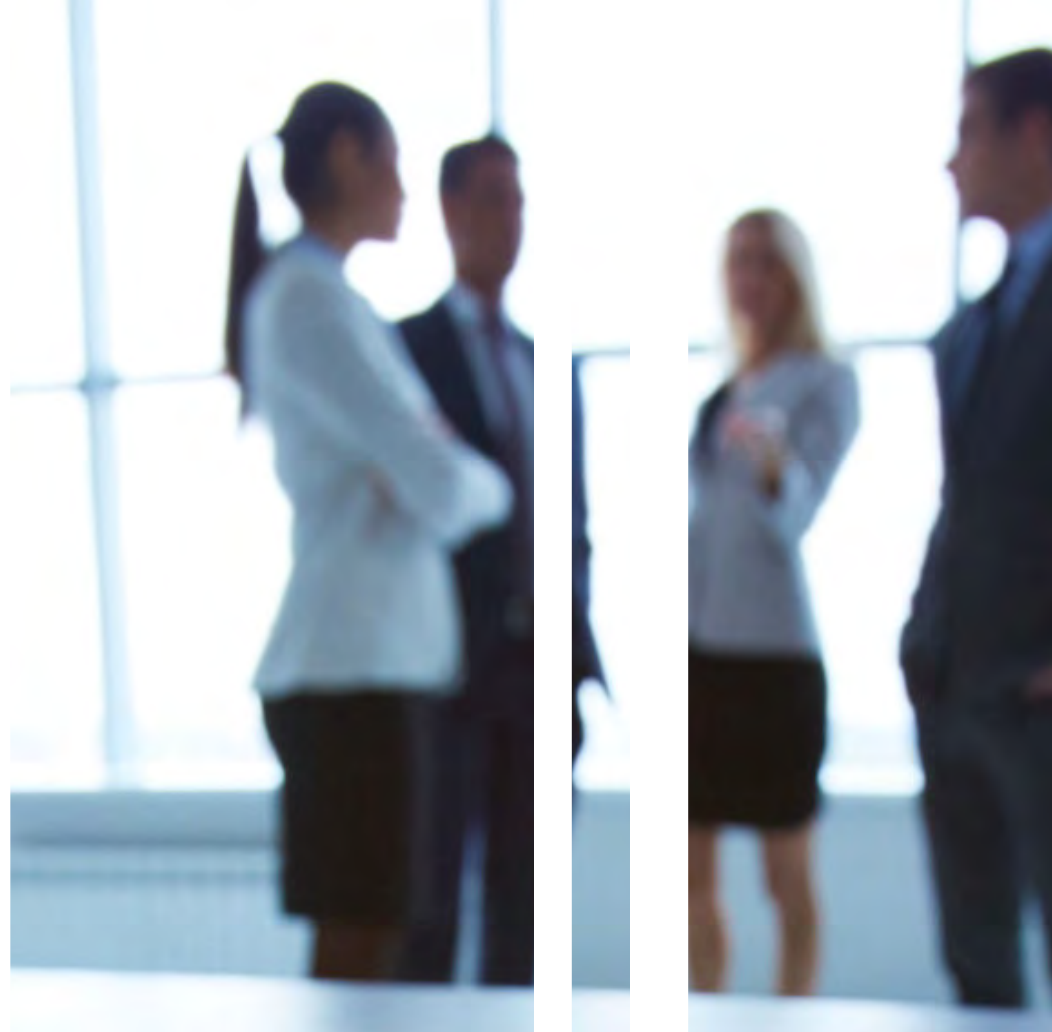
The framework to implement the Business Continuity Plan is described as follows:

Terms and References



During 2015 and 2016 we implemented several strategic technology projects to make improvements to ensure a stronger and more robust BCP:

1. Technological renovation of the Alternate Work Center (AWC) at Mount Elbruz.
2. Supplying contingency desktops for new critical users.



3. Implementation of a new Alternate Work Center in Querétaro, leveraging the Contact Center positions.
4. Adding survival apps to the Disaster Recovery Plan (DRP).
5. Technological renovation of the platform used to deliver contingency desktops when migrating from CITRIX to HORIZON (ongoing).

We have a Crisis Management Plan and a Crisis Committee, made up of 50 Group employees. The first defines the technical standards that ensure control, registration, and measurement of critical business situations, as well as establishing procedures and response strategies to mitigate, manage and resolve a crisis in the shortest time possible and with the least involvement of the Group's employees. On the other hand, the Crisis Management Committee makes decisions on how to deal with a crisis and is responsible for communicating such.

The Committee has established three crisis categories in the response models:

- **Preventive:** objective models that lead to improvement.
- **Proactive:** continuous search for potential risks and preparedness to combat their occurrence.
- **Propositional:** anticipation and preparation as part of our corporate culture.

Conflicts of Interest

At Santander, we have mechanisms and procedures in place to ensure that the interests of individuals are never put above the Group or its customers' interests.

These mechanisms regulate the restrictions and authorizations of our employees, officers, and directors in the acquisition or lease of property and assets, as well as transactions in which they have a vested interest, or economic or family ties. They are not allowed to influence or participate in procedures to contract products or services with companies or people with whom they have ties.

The guidelines established by our Code of Conduct regarding conflicts of interest state that when an employee faces a conflict of interest, he or she shall immediately inform the Compliance Division, which is the entity responsible for identifying and analyzing such cases, and registering and submitting their findings to the Compliance Committee.



uni>ersia



The largest Universities Network in Latin America made up of

1,345

partner universities from

23

countries representing

18.3

million students and teachers.



268

job portals, where we posted

87,964 jobs.



The Universia Development Center taught

2

training seminars for managers.

Investment in Higher Education

Being sustainable means investing in the future. At Santander, we know that by allocating most of our corporate social responsibility budget to higher education, we are investing in business and people's progress for the long-term. Santander Universities and Universia are the tools that drive Mexican youth entrepreneurship and strengthen partnerships between institutions, companies, and universities for the sole purpose of generating social development in our country.



Santander Universities



We allocate more than

90%

of the Bank's Corporate Social Responsibility budget

to strengthening higher education nationwide with the Support for Higher Education Plan (PAES).



4,495

grants given to students

from 158 universities across the country.



291,320

new students

received the University Smart Card (USC).



205

educational agreements

that serve as a bridge between national and international institutions.



In 2016, we consolidated a new and dynamic structure in the Santander Universities and Universia corporate division, which allows us to leverage and maximize the critical role of academia and higher education in Santander Mexico's social and business strategy.

Santander Universities and Universia work as autonomous bodies under one Division to ensure more efficient processes and create value in all their services.

We reduced the units comprising the Santander Universities corporate division from six to four, to ensure greater information management efficiencies and the improved performance of all our activities. This new structure provides greater flexibility, simplifies our actions and creates a team destined to generate added value in all our operations.



Santander Universities

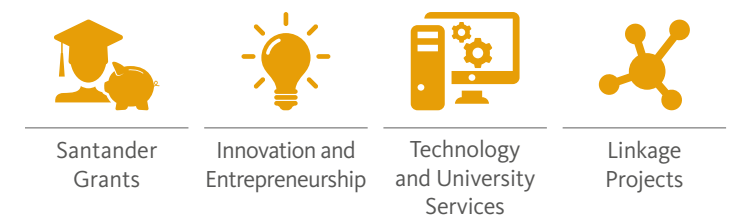
Santander Universities is Santander's largest and most influential social commitment initiative worldwide. It integrates our social commitment to promoting the development of people and companies with an inclusive and competitive business vision that provides universities with tools to enhance their development and gives students the means they need to ensure a more productive, accessible, and innovative academic experience.

We have developed collaborative projects with 1,121 universities and research centers worldwide, sponsoring initiatives and unique programs that support national and international mobility, innovation and entrepreneurship, technology and university services, and a variety of academic programs.

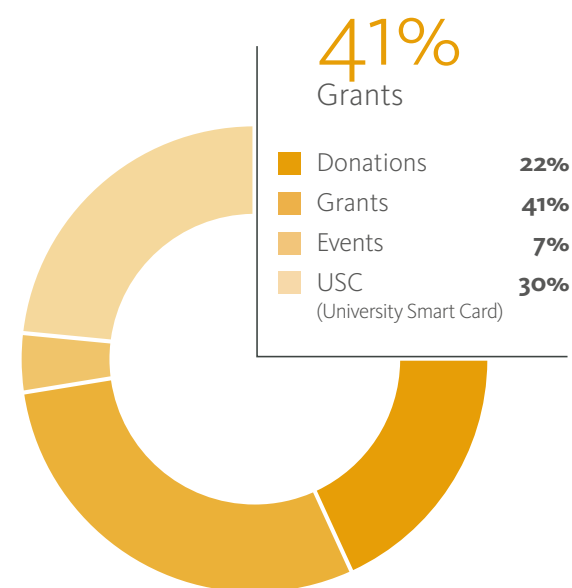


In Mexico, the Support for Higher Education Plan (PAES) promotes the economic and social progress of the communities we serve, allocating more than 90% (MXN 124,378,878) of the Bank's Corporate Social Responsibility budget to strengthening higher education nationwide.

Santander Universities Mexico uses four lines of action to make PAES a reality:



Santander Universities (PAES) investment distribution



Santander Grants

At Santander, we are committed to raising the quality of education in Mexico, and an important part of this commitment is ensuring the academic mobility of students by creating a higher level of cooperation and integration between higher education institutions.

Therefore, we have a grant program that supports thousands of students of excellence with high-performance standards at the undergraduate and graduate levels with an exchange and academic stay program in other higher education institutions to broaden their horizons and enrich their educational experience.

In the last 17 years, we have supported thousands of Mexican students through various Santander Grants programs. In 2016, grants were given to 4,495 students from 158 universities in different states across the country.

The Santander Universities 2016 grant program consisted of:

- Santander Ibero-America Formula 1 Grants.
- Santander National Mobility Grants for 2017.
- Santander Grants for Young Teachers and Researchers in Ibero-America.
- Santander Grants - Research and Graduate Study FIMPES.
- Santander Grants for workshops in the U.S.
- International Santander Formula Grants.
- ECOES Santander Ibero-America Degree Grants.

In addition to these programs, we also visited the Simón Bolívar University to deliver the first grants for the Santander Universities language program developed by Universia, which allows beneficiaries to learn a second language to expand their academic and professional opportunities.

We also closed the Top China Program at the end of 2016, when 30 engineering students from various universities who were in China on an academic exchange returned to Mexico with learnings, knowledge, and experiences to share. Programs like these allow young people to travel to other countries to learn, grow and start their future projects, sharing their experiences with other generations.





Promoting entrepreneurial culture, Santander Universities has the Santander Grant Program for High-Impact Entrepreneurs, which was created to help and support young people with tools that allow them to develop the skills and abilities they need to become part of the entrepreneurial ecosystem.

In 2016, we gave 230 grants to students who participated in this program and spent the summer in several cities in the U.S. considered pillars of entrepreneurship worldwide, such as Silicon Valley, Los Angeles, San Diego, San Antonio, New York City, and Washington.



Innovation and Entrepreneurship

We are committed to supporting the advancement of young people, and we know that a fundamental part of this project is the development of innovation and entrepreneurship. As such, we promote programs that encourage the entrepreneurial culture and promote the incorporation of new technologies in education and the creative, ethical, responsible, and effective generation of goods and services.

So, in 2016, we celebrated the 11th edition of the Santander for Business Innovation Award (PSIE), supported by the Mexican Ministry of Economy through the National Institute of Entrepreneurship and the Business Coordination Council, the National Association of Universities and Higher Education Institutions (ANUIES), and the Communication Council.

Considered one of the most significant awards in Mexico for business innovation, more than 20,000 young people have participated in the PSIE during its 11-year history, presenting more than 5,500 projects.

The 11th edition drew 5,572 young entrepreneurs from 158 universities across the country. These young people presented 1,066 projects, resulting in a 9% increase in the number of projects registered and a 32% growth in the number of participants.

In support of the entrepreneurial culture, in 2016, Mexico Santander Universities awarded grants and implemented programs for young entrepreneurs seeking more and better solutions to our country's problems.

An example of this is the Talentum-University program, created by the Center for Economic Research and Teaching (CIDE) and supported by Santander Universities. The second edition of the program held this year contributed to forming new leaders for Mexico. The selected students had the opportunity to experience learning experiences both in and outside of Mexico, while also meeting and interacting with exemplary leaders from all sectors nationwide.

Another example was the signing of a cooperation agreement for the "Leaders in Development UNAM-Santander-FUNED" Scholarship Program, which aims to financially support 80 students of the Accounting and Administration School and provide extracurricular classes or online courses so they can study a graduate degree in one of the top 200 universities abroad.



Technology and University Services

As part of our Support for Higher Education Plan, in 2016 we supported the incorporation of technology in universities to improve teaching, learning, and academic integration.

The University Smart Card (USC) is a unique tool collectively developed by the Santander Technological Observatory and ITESM with the best technology nationwide to access and use the services offered by universities.

The card offers young people an ID, access to loans in the campus library, the school's facilities for different procedures, and multiple benefits in off-campus facilities, such as discounts and special offers.

In 2016, Santander Universities organized the "Entrepreneurial Plus Mexico" contest where participants put their entrepreneurial knowledge into practice, taking charge of a virtual company and demonstrating their management skills.

Santander Universities, together with the School of Government and Public Transformation of the ITESM, introduced the second generation of the Association of Public Entrepreneurs program who will spend eight months helping entrepreneurs implement high-impact initiatives, to transform the highest number of lives possible and generate the innovation that the public sector so desperately needs.



In 2016, Santander Universities traveled to different parts of the country to deliver new University Smart Cards to 291,320 new students in 33 communities nationwide.



XI

edition of the Santander for Business Innovation Award (PSIE).

5,572 university students from 158 universities across the country participated with 1,066 business projects.

During the PSIE's 11-year history:

More than



MXN 18

million have been given out in prizes

More than



20,000

young entrepreneurs have participated in the program

They have performed more than



5,500

business projects in all Mexican states.



Through

205

educational agreements

we serve as a bridge between public and private institutions.

Linkage Projects

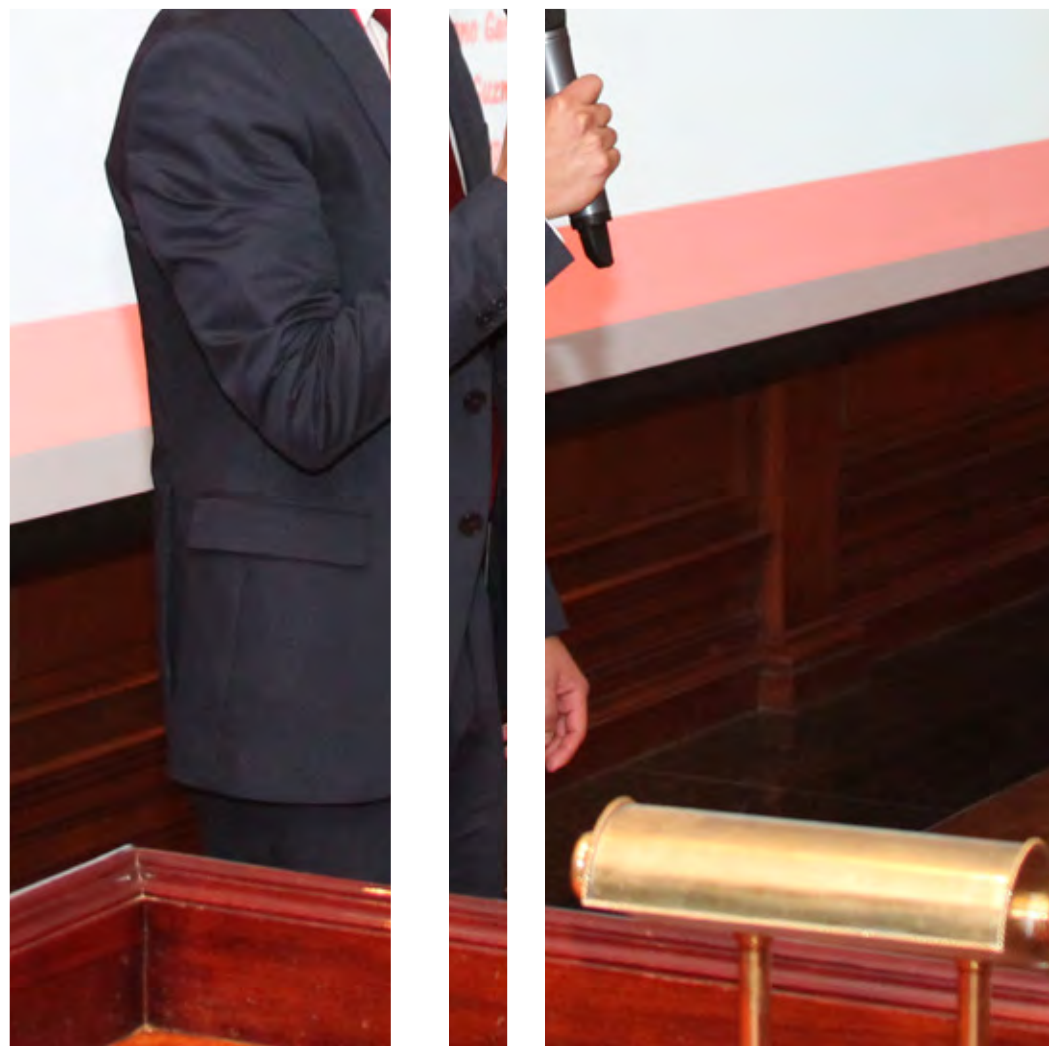
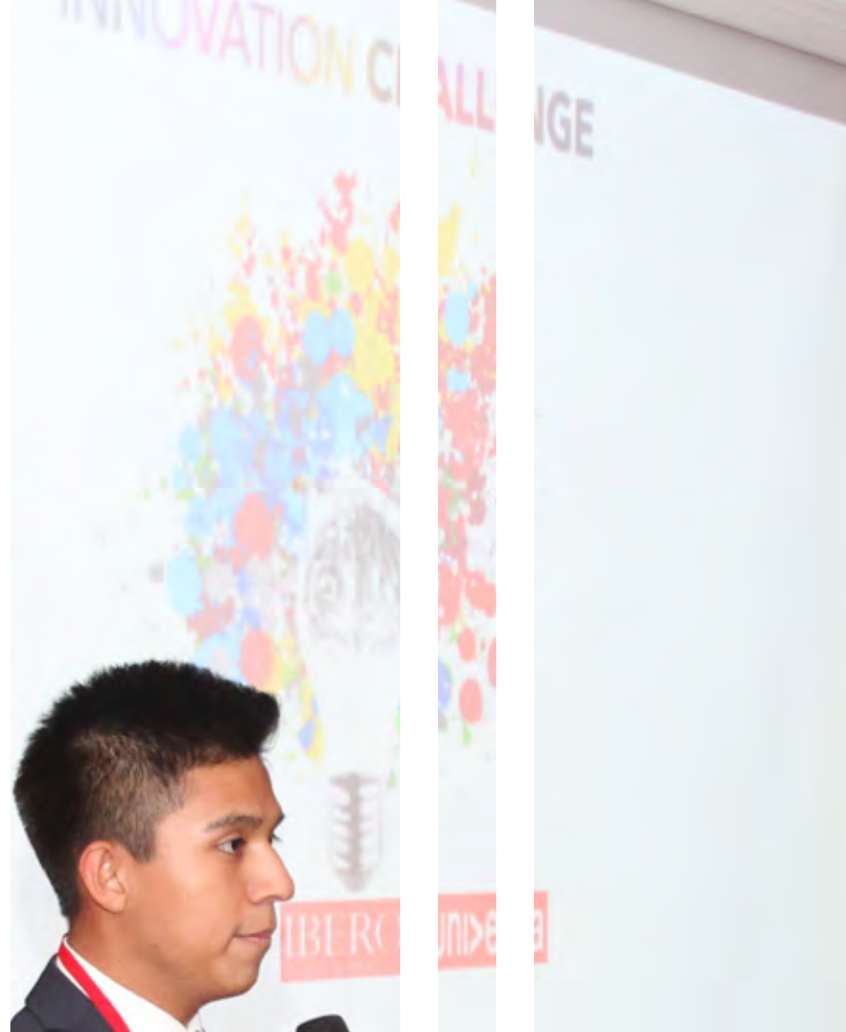
With our linkage projects, we seek to project institutions outside of Mexico to open new opportunities to boost their development and enable them to go further. We have signed 205 educational agreements to serve as a bridge between public and private institutions.

In 2016, Banco Santander held the 2016 TrepCamp edition as part its academic linkage efforts. The program is one of the top bi-national initiatives promoting high-impact entrepreneurship in North America.

Also in 2016, for the third year in a row, Santander Universities and Universia took a Mexican delegation of more than 40 leading public and private universities to the American Council on Education's 98th Annual Meeting. The ACE is one of the premier higher education events in the United States.

Moreover, and supporting innovation, Santander Universities negotiated the signing of a cooperation agreement between the Stanford Research Institute and ANUIES, in which both institutions agreed to strengthen joint work and lines of action to benefit the university communities they represent.

With these actions, Santander Universities opens doors and creates relevant links to enhance the development of universities while establishing a sustainable path toward academic development of Mexico.



Universia

uni>ersia

Universia is the leading University Network in Latin America.



It is through this international university relationship role model that Banco Santander promotes the development of joint projects, creating new opportunities for the university community and meeting business and institutional demand for sustainable efficiency criteria.

Academic Projects

Universia consistently strives to promote internationalization and collaboration between universities in different countries throughout Latin America. An example of this is the Latin American Scientific Knowledge and Innovation Network (REDIB) that provides a platform for scientific and academic content produced in Ibero-America.

REDIB has a clear mission to promote technological innovation of publishing tools, guaranteeing the global reach of content online. The platform offers users direct access to outstanding scientific and academics papers published by publishers and other scientists and academic content producers from Latin American countries or on Latin American subjects, in both a geographic and cultural sense.



1,809
magazines in REDIB

779
institutions participating
in REDIB

25
countries that are
part of REDIB

554,596
number of papers

Since 2015, Mexico has added
90 magazines from 49 IES.

The purpose of this platform is to strengthen and professionalize scientific publishing online, encouraging and supporting publishers in adopting the most suitable tools and innovative solutions to publish content.

In addition to this initiative, Universia also participated in various academic projects, such as a vocational and career guidance event for high school students in collaboration with Televisa Radio and newspaper El País. The main purpose of this partnership was to inspire high school students to select the best college major.

Universia also joined with ARCA (Televisa) at the journalism Mash Up where university students had the opportunity to present their film and chronic projects to chroniclers Lowell Bergman (New York), Héctor Feliciano (Philadelphia) Jon Lee Anderson (California) and documentarians Elena Fortes (CDMX) and Myles Estey (Canada).

Another example is Universia's collaboration with the Interactive Museum of Economics (MIDE) offering discounts to the Universia community and running a joint communication campaign focused on financial education tips, which was further boosted by a financial education program touring eight universities in cities throughout Mexico.

University Services

Universia complements its academic projects with university services that create opportunities for dialogue among universities, businesses and governments, enabling university students to expand their opportunities and open doors for them in the job market. It is this effort that can generate multidisciplinary networks, ensuring a constant dialogue between the institutions involved.

An example of this is the Universia Development Center (UDC) that seeks to facilitate knowledge among teachers, academics, researchers, and managers from various universities through innovative seminars nurturing the international growth and development of Mexico's universities. In 2016, the UDC taught two managerial seminars attended by 63 managers, 14 of which represented higher education institutions from across the country.

Another example of the creation of spaces between universities and companies is the Universia Business Employment Portal and Software Management for students and graduates. These portals help young graduates or students looking for their first job.



In 2016, we had
268
job portals



where we posted
87,964
jobs



and received
261,202
applications.

Thanks to this, we brokened

 **35,186**
jobs
for mexican university students.



Community and Environment

Being sustainable means promoting the development of the communities we serve. Through the Trust for the Children of Mexico, everyone at Santander and our sustainable partners support the educational, environmental, and social programs with which we have an affinity. We also strive to create initiatives that help us optimize our operations to maximize resources and protect the environment.

Community



40%
reduction in total paper consumption by the Group



45%
less waste generated



46%
of our infrastructure energy comes from efficient cogeneration processes.

Trust: **MXN 8,178,500** million donated to social projects implemented by 65 civil organizations.

Sustainable Partners: **MXN22** million donated to our sustainable partners, thanks to the generosity of our customers through the ATM fundraising drive.

Our Volunteer Program: **26,340** volunteers



Awards: **Corporate Social Responsibility Award** from CEMEFI and AliaRSE for the 13th year in a row.

Community

Being sustainable means making a positive change in the individuals and organizations we support. This is how we allocate financial and human resources by working together with our customers and employees, to drive the social causes aligned with the Group's interests to improve access to new and better development opportunities for the most vulnerable people and communities.

Trust for the Children of Mexico, Everyone at Santander

The Trust for the Children of Mexico is an initiative created by a group of Santander employees concerned about improving the situation of underprivileged children, by which employees with the same interests voluntarily donate part of their paycheck.

The Trust is a project that has supported the social programs of various institutions during its 23-year history, aimed at benefiting children at a social and financial disadvantage with aid for education, nutrition, and health.

While the initiative has been in place for over 20 years, it has evolved in its internal management processes, selection criteria and evaluation of institutions, and even in its internal work structure based on four primary objectives:

1. Supporting civil society organizations engaged in improving the lives of Mexican children at a social and financial disadvantage.
2. Support organizations with the production of knowledge that leads to developing skills to better use their own human and material resources to benefit children.
3. Create synergies that contribute to improving the living conditions of Mexican children, and encourage the spe-

cialization and professionalization of each different player involved in this work.

4. Develop intervention processes and analyze the Trust's social responsibility actions to strengthen its operation.

The Trust has a consolidated internal operating structure to plan and implement its activities with policies and manuals executed by a Working Committee responsible for evaluating the projects submitted by organizations to determine if they pass the requirements to receive the requested aid. The Trust also has a Technical Committee, which is its highest authority in charge of monitoring the investments made with the funds raised.

The Trust has its own information system to manage the invitations sent to the organizations and monitor projects to ensure the proper implementation and management of the resources provided.

In 2016, we had a volunteer task force committed to the Trust, comprised of 11 trainees from the UNAM who completed their professional practices working for the Trust alongside 60 employees sponsoring the organizations invited to apply for funds once a year. It is important to note that organizations aspiring to obtain part of the funds donated by the Bank and Group's employees only employee-sponsored invitations.

In addition to delivering financial resources, Banco Santander also provides technology, systems, and facilities for the organizations' operations. We also cover the Trust's administrative and operational expenses, including the coordinator's salary, so the full amount collected is used for social causes only.

In 2016, we supported 25,463 children at 65 CSOs. A total of MXN 8,178,500 was donated to support organizations, MXN 609,400 was applied to their professionalization.



MXN 609,400

earmarked for **the professionalization of 213 employees** of in the social organization's sector.



We support **25,463 children** in 17 states across Mexico.



MXN **8,178,500**

donated to social projects implemented **by 65 civil organizations.**

MXN 40,000 - MXN 50,000	
Casa Hogar María Madre, I.A.P.	MXN 40,000.00
ACC Especialistas, A.C.	MXN 50,000.00
BIFAM Aguascalientes, I.B.P.	MXN 50,000.00
Con Nosotros, A.C.	MXN 50,000.00

MXN 60,000 - MXN 75,000	
Fundación de Apoyo Infantil Sonora, A.C.	MXN 60,000.00
Fundación CTDUCA Atención Integral de Personas Down, I.A.P.	MXN 60,000.00
Vida y Familia México, I.A.P.	MXN 63,500.00
Elisabetta Redaelli, I.A.P.	MXN 65,000.00

MXN 80,000 - MXN 90,000	
Comunidad de Desarrollo Integral Copilco, A.C.	MXN 80,000.00
Fundación por Nosotros, I.A.P.	MXN 80,000.00
CAI Piña Palmera, A.C.	MXN 80,000.00
Cambiando una Vida, A.C.	MXN 80,000.00
Proyecto de Vida, I.A.P.	MXN 80,000.00
Centro de Rehabilitación Infantil de Veracruz, A.C.	MXN 90,000.00



MXN 100,000	
Asilo Primavera, I.A.P.	MXN 100,000.00
Casa Hogar de las Niñas de Tláhuac, I.A.P.	MXN 100,000.00
Centro de Educación Infantil para el Pueblo, I.A.P.	MXN 100,000.00
Cenyzlitzli, A.C.	MXN 100,000.00
Comunidad Crecer, I.A.P.	MXN 100,000.00
Domus Instituto de Autismo, A.C.	MXN 100,000.00
Ednica, I.A.P.	MXN 100,000.00
Escuela para Entrenamiento de Perros Guía para Ciegos, I.A.P.	MXN 100,000.00
Fundación Mexicana del Riñón, A.C.	MXN 100,000.00
Hope Worldwide México, I.A.P.	MXN 100,000.00
Instituto Mexicano de la Audición y el Lenguaje, A.C.	MXN 100,000.00
Internado Infantil Guadalupano, A.C.	MXN 100,000.00
Nutre a un niño, A.C.	MXN 100,000.00
Programa Niños de la Calle, A.C.	MXN 100,000.00
Techo México, A.C.	MXN 100,000.00
Asociación Regiomontana de Niños Autistas, A.B.P.	MXN 100,000.00
Casa Hogar Loyola, A.C.	MXN 100,000.00
Fundación Eduardo Tricio Gómez, A.C.	MXN 100,000.00
Fundación Queretana Bebe Avance, A.C.	MXN 100,000.00
Fundación Sociedad Educadora de Sinaloa, A.C.	MXN 100,000.00
Hogar Nuestra Señora de la Esperanza, A.C.	MXN 100,000.00
Institución Providencial de México, A.C.	MXN 100,000.00
Niños y Adolescentes en Armonía, A.C.	MXN 100,000.00
Trotasueños, A.C.	MXN 100,000.00
Instituto Pedagógico para problemas de Lenguaje, I.A.P.	MXN 100,000.00
Promoción Social Integral, A.C.	MXN 100,000.00

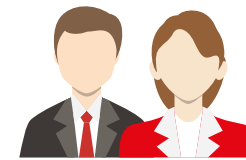
MXN 120,000 - MXN 130,000	
APAC, I.A.P. Asociación Pro Personas con Parálisis Cerebral, I.A.P.	MXN 120,000.00
Casa de la Amistad para Niños con Cáncer, I.A.P.	MXN 130,000.00

MXN 150,000	
AFECCI, A.C.	MXN 150,000.00
Fundación de Cirujanos Unidos Realizando Altruismo, A.C.	MXN 150,000.00
Fundación Pro Niños de la Calle, I.A.P.	MXN 150,000.00
Patronato Pro Zona Mazahua, A.C.	MXN 150,000.00
Vemos con el Corazón, I.A.P.	MXN 150,000.00
Yolia Niñas de la Calle, A.C.	MXN 150,000.00
Albergue Infantil los Pinos, A.C.	MXN 150,000.00
Ándale para Oír Padres de Niños Sordos, A.C.	MXN 150,000.00
Asociación Ale, Institución de Asistencia Privada, I.A.P.	MXN 150,000.00
Educación y Desarrollo Indígena de Chiapas, A.C.	MXN 150,000.00
Fundación Vida Plena, I.A.P.	MXN 150,000.00
IXIM, A.C.	MXN 150,000.00
Unidos Somos Iguales Cuernavaca, A.C.	MXN 150,000.00

MXN 160,000 - MXN 180,000	
Aquí Nadie se Rinde, A.C.	MXN 160,000.00
Medicina y Asistencia Social, A.C.	MXN 160,000.00
Dispensario Médico Tonantzin, A.C.	MXN 180,000.00

MXN 200,000 - MXN 250,000	
Fundación Mark, I.A.P.	MXN 200,000.00
Hogar Rafael Guizar y Valencia, I.A.P.	MXN 250,000.00
Proeducación, I.A.P.	MXN 250,000.00
Voces y Visiones de Malinalco, A.C.	MXN 250,000.00

\$300,000 - \$350,000	
Fundación Tarahumara José A. Llaguno, A.B.P.	\$300,000.00
Fundación Hospital Nuestra Señora de la Luz, I.A.P.	\$350,000.00
Fundación Kristen, A.C.	\$350,000.00



12,153

employees helped the Trust, representing 7% more than in 2015.

A total of 12,153 Group employees made voluntary contributions to the Trust. These donations, plus the Santander donations amounted to MXN 8,263,277.05, representing 38.7% donated by the Bank and 61.3% donated by the Group's employees.

Some of the main highlights of projects financed by the Trust include:

- Support for **130** liver, heart, and fetal **surgeries**.
- **2,137** emotional health treatments **for children**.
- **7,570** elementary school studies **for children**.



2016 Beneficiaries

25,463



Health
6,981



Education
15,080



Nutrition
3,402



These partnerships have allowed us to strengthen the model we use to address the needs of the organizations we support, to ensure sustainable impacts in each of these CSOs.



In 2016, the Trust for the Children of Mexico Everyone at Santander program received the Best Practice Award from the Mexican Center for Philanthropy (CEMEFI) in the Community Liaison category.

As mentioned earlier, the Trust works with different organizations and institutions on professionalization methods to improve their processes. In 2016, we maintained strategic alliances and worked with:



Fundación Quiera

Focused on preventing professional burnout, vicarious traumatization, and compassion fatigue among managers. In 2016, we reinforced the organizational structure of four CSOs with the implementation of emotional support workshops.



Fundación Merced

Where we held a Resource Management Plan workshop attended by 40 organizations that received tools to increase funding. A total of 76 people benefited from this workshop.



Universidad Anáhuac

Where we implemented two training workshops to increase the knowledge and provide the tools CSO professionals need to conduct impact assessments and assertively communicate their achievements. The workshop titled "Measuring Results to reach an Impactful Goal" and "Digital communication for NGOs" benefited 133 attendees.



National School of Social Work - UNAM

Where we developed intervention processes and analyzed the social responsibility activities carried out by the Trust for the Children of Mexico. These efforts focused on raising awareness about social responsibility among 11 students, tracking the 65 organizations we supported in 2016 and analyzing 105 projects that applied for aid in 2017.

Sustainable Partners

Grupo Santander supports various social and environmental causes through our ATM fund-raising drives. Consequently, our customers and users are part of the efforts made to drive the nation's development and welfare.



Fundación Vivienda Fideicomiso Provivah

Over the last nine years, we have supported the work done by this Housing Foundation through fund-raising campaigns and drives to raise money through our ATM network, which seeks to encourage the construction of housing complexes and homes for underprivileged families throughout Mexico. In 2016, we raised MXN 2,545,955, which were used to build 300 homes including 150 in Parral, Chihuahua, and 150 in Puebla, benefiting 1,500 people.



Amount raised in ATMs
MXN2,545,955



Beneficiaries
1,500



To improve its processes, the Trust holds monthly meetings with the Working Committee to streamline its decision making. It provides personalized advice and feedback for each CSO during the follow-up process and submits semiannual reports to sponsors while preparing objective and standardized selection criteria to allocate the funds.



MXN 22

million donated to our sustainable partners, thanks to the generosity of our customers through the **ATM fundraising drive.**





Reforestamos México

Environmental care and protection are vital links in the sustainable development chain. Therefore, Santander Mexico supports the conservation of the country's forests by raising funds through its ATM network for the Let's Reforest Mexico (Reforestamos Mexico) Association. By the end of 2016, we had collected MXN 3,680,376 that benefited 393 people in different communities.

The money raised was used to help the following five major projects: 1) Innovation, Forest Expo Campus, 2) Youth Network, 3) Better Alliances, Better Forests, 4) Strategic alliance for the FSC supply chain with a special reference to fair lumber, and 5) the Southeast Forest Business Development Agency (ADEF).



Amount raised in ATMs

\$3,680,376



Beneficiaries

393



Unicef

Grupo Santander defends the importance of coordinating efforts to preserve the rights of children and adolescents in Mexico. Therefore, we contribute to the United Nations Children's Fund (UNICEF) Out-Of-School-Children program.

In supporting this initiative, our ATM fund-raising drive produced a positive impact on the welfare and education of 7,350 children nationwide through workshops for teachers in different Mexican states in 2016. We collected MXN 2,678,910 for this effort through our ATM network.



Amount raised in ATMs

\$2,678,910



Beneficiaries

7,350



Bécalos

Bécalos is an initiative created by the Banks of Mexico Association and the Televisa Foundation. In 2016, customers donated MXN 13,094,905 to this initiative. Santander donated an additional amount for a total of MXN 17,174,905, benefiting 3,407 underprivileged youth who received higher and secondary education grants for public, academic institutions.

Santander has contributed more than MXN 172 million to this initiative over the last ten years, including the funds raised through its ATM network and the contributions the Bank has made to Seed Capital. According to the Banks of Mexico Association and official Bécalos reports, Santander has supported nearly 30,000 students with grants.



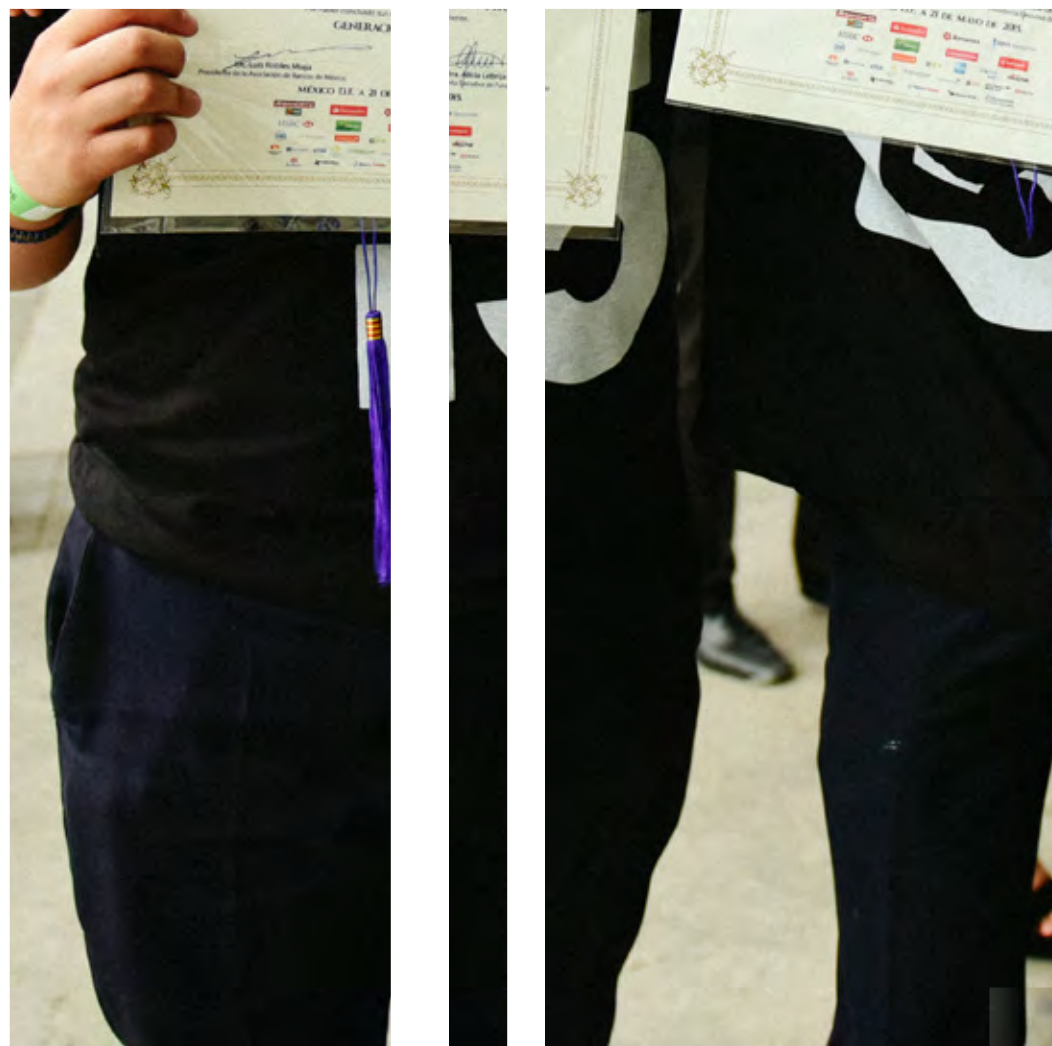
Amount raised in ATMs

\$13,094,905



Beneficiaries

3,407



Our Volunteer Program

Santander has created two volunteer programs to raise awareness among our employees. These programs increase awareness of the social reality of our country and involve our staff as agents of change.

In 2016, we held two in-kind donation programs representing an investment equal to MXN 678,214 and benefited 3,129 people. Also, 72% of the Bank's employees participated in the internal fund-raising drive for the Trust for the Children of Mexico. These programs are part of an ongoing effort focused on raising awareness by engaging in social actions that help people progress.



In 2016,
26,340
 employees volunteered
 to work in the Bank's different charity-based activities.



2.8
 tons of food,
 1,554 nutrition bars, and 1,000 milk
 cartons donated during our 2016
 volunteer programs.

Activity	Volunteers	Beneficiaries	Amount
Employees supporting the Trust	12,153	25,463	MXN 5,063,277
Food Bank - Santander Week to support the Trust's organizations	12,633	2,998 people	MXN 656,896
Donate your Dessert to the Trust Program	1,554	131 families	MXN 21,318

The Food Bank program involves Santander employees donating rice, beans, powdered milk, and cooking oil for people in need. The Donate Your Dessert Program provides a nutritious breakfast (energy bars and flavored milk) to underprivileged children.

In addition to these activities, 75 volunteers from the Risk Department gave 60 gifts to a home supported by the Trust, and 55 Contact Center volunteers collected basic food baskets for more than 70 people in need.

Other donations in 2016, included: MXN 215,748 to Hogar y Futuro A.C. to provide 100 breakfasts per week for children at this children's home, and MXN 100,000 pesos to Casa de la Amistad A.C. to provide hearing aids for 134 children.



Environment

Being sustainable means reflecting our concern for the environment in our principles and actions. Grupo Santander consistently focuses on its consumption to improve our use of resources through various initiatives that allow us to improve our operations and care for the environment. These actions are accompanied by constant training to raise awareness within our sphere of influence.

Climate Change Policy

Grupo Santander has a strong commitment to environmental protection and especially, to fighting climate change.

Although our activities in the financial sector do not produce a significant impact on climate change, Santander engages in the actions described in this policy to consistently contribute to our planet's environmental protection.

Regarding the framework for action and initiatives committed to environmental protection and reducing the effects of climate change, the Group has established its action policy to:

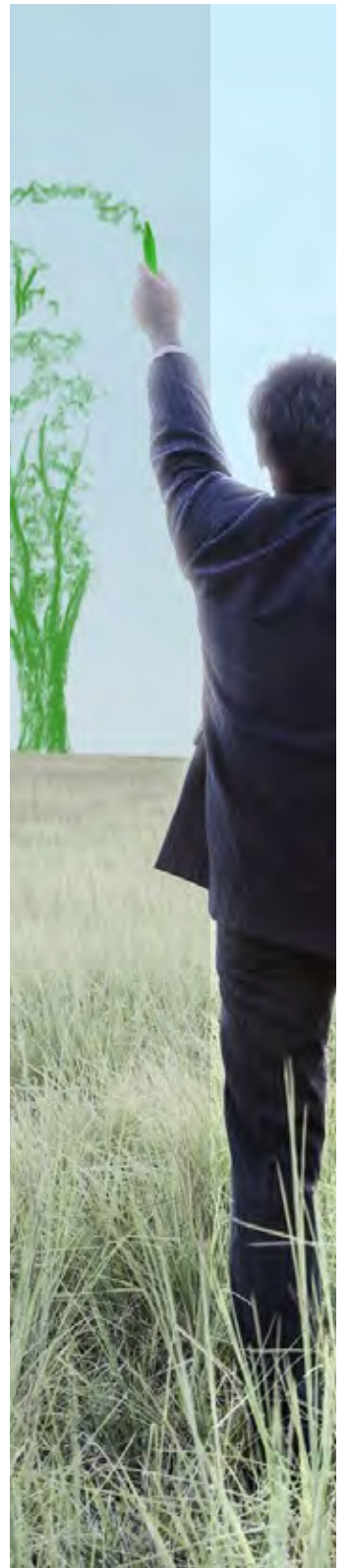
- Prevent or minimize pollution generated by its activities.
- Consider and evaluate the impact the projects financed produce on climate change and the measures to be taken to eliminate or reduce emissions.
- Promote products and services that respect the environment.
- Raise awareness among its employees to adopt measures to protect the environment.

Environmental Management System (EMS)

One of the priorities is to maintain the Group's continuous improvement at its best within the organization and thus continue the activities that help us achieve this principle.

In 2016, the Group conducted two internal Environmental Management System audits at its headquarters in Santa Fe, reviewing the ISO 14001 requirements and procedures comprising the Santander Documentary System. The first review was conducted April 5-7 with the second audit conducted August 30 through September 2, 2016, followed by an external audit carried out by the Spanish Standardization and Certification Association (AENOR) with highly favorable results for the corporate headquarters.

Once again, we obtained the ISO 14001 Environmental Management Certificate from the Spanish Standardization and Certification Association (AENOR).





LEED

Construction is currently an ongoing activity, and we have an increasing number of buildings and infrastructure that facilitate the population's economic and social development.

The U.S. Green Building Council created LEED or Leadership in Energy & Environmental Design, to move forward with the use of strategies that permit the overall improvement of the environmental impact resulting from the construction industry.

This voluntary initiative consists of a set of rules based on the incorporation of aspects related to energy efficiency, use of alternative energy, improved indoor environmental quality, the efficiency of water consumption, sustainable development of open plot spaces, and the selection of materials.

We use this strategy to inventory and quantify consumption, emissions, and waste and complete a comprehensive Subjective Global Assessment (SGA) to obtain the relevant certificates consistently.

Consumption

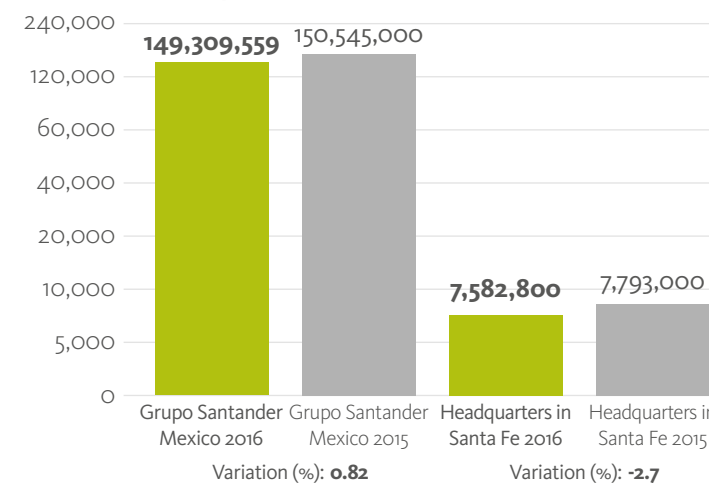
Internal power consumption [G4-EN3]

Santander's efforts to transition to alternative energies are evident in our efficient cogeneration agreement with Sky EPS Supply SM, S.A. de C.V., which provides a continuous supply of 6.8 MW of electricity.

In 2016, we reduced the use of 210,200 kWh, equivalent to a 2.7% saving in internal power consumption at our headquarters in Santa Fe or the electricity used by 1,945 homes with intermediate consumption in Mexico*.

* Data obtained with the mathematical average of the extreme values of the range of intermediate consumption published by the Federal Electricity Commission (CFE) at: http://app.cfe.gob.mx/Aplicaciones/CCFE/Tarifas/Tarifas/Tarifas_casa.asp?Tarifa=domesticas2003&anio=2017

Power consumption [kWh]



Use of paper [G4-EN1]

Use of paper is relevant to our industry. Our headquarters in Santa Fe consume 10.14% of this amount, and the temporary initiatives we implemented in 2016, helped us reduce a little over 40% of total paper use with a 45.4% reduction in certified paper and a 100% reduction in uncertified paper. We also reported a 7.3% increase in the use of recycled paper, demonstrating a strong commitment to optimizing the consumption of office supplies and replacing them with environmentally-friendly products.

You need 324 liters of water to produce 1 kilogram of paper, so we are talking about a savings of nearly 282 million liters of water in 2016.*

Paper consumption by type	Total Grupo Santander México	Total Headquarters in Santa Fe
Certified paper [kg]	1,063,453.7	107,826.7
Recycled paper [kg]	219,512	22,257
Uncertified paper [kg]	0	0

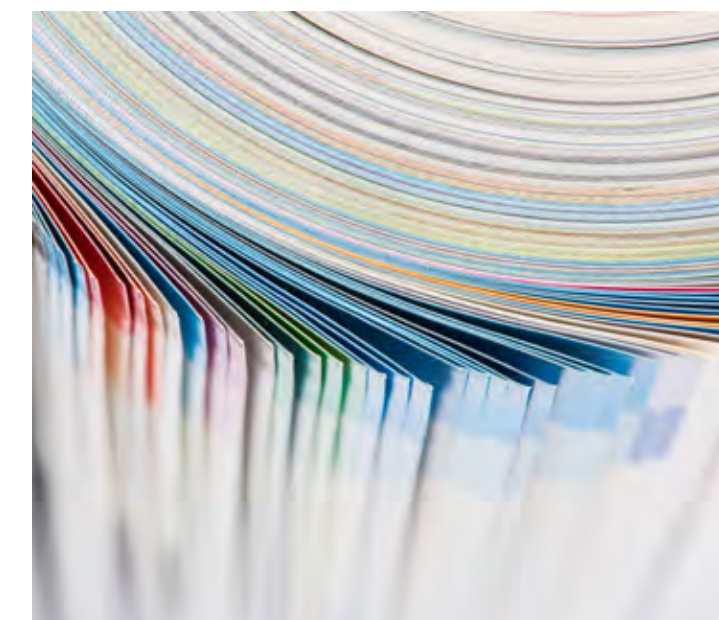
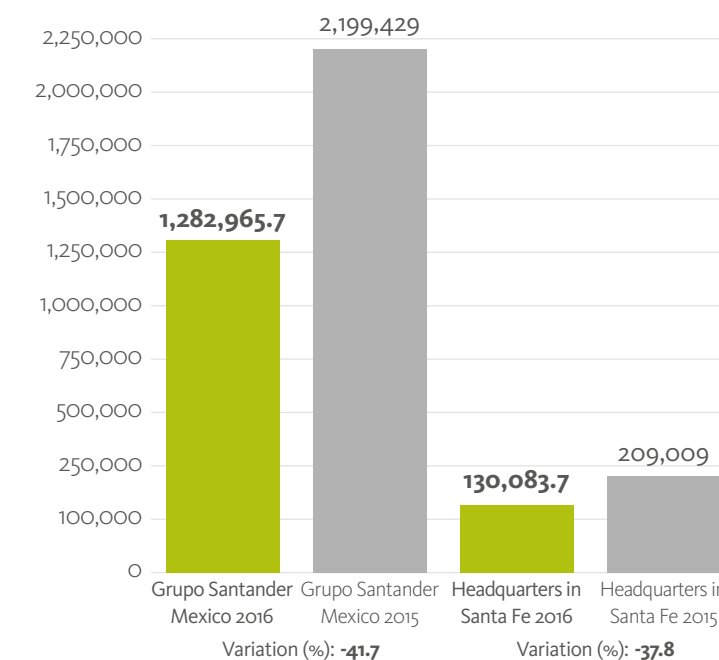
* Source: Environment Canada.



40%

reduction in total paper consumption by the Group

Total Paper [kg]



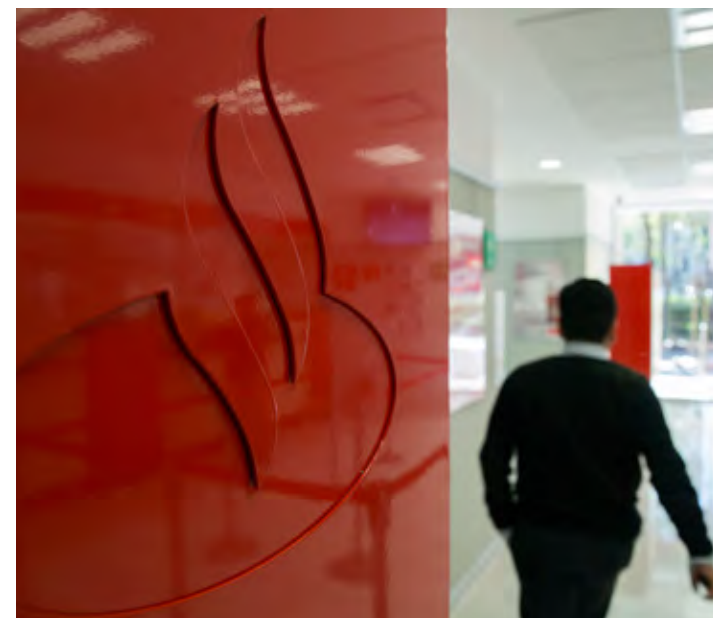
Water consumption [G4-EN8]

Water represents a valuable input to Santander at the national level, which is why we have created and implemented initiatives under the Environmental Management System guidelines to Control Drinking Water Consumption at our headquarters in Santa Fe (with the P-4.4.6-02 code) ensuring proper management of this vital liquid.

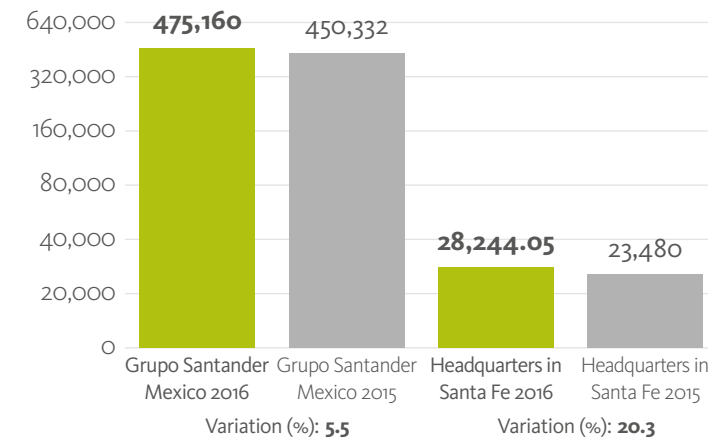
In 2016, we recorded a 7.6% increase in potable water. This figure will be useful to implementing appropriate measures and raising our optimization levels for consumption of this asset through continuous improvement processes.

Waste disposal [G4-EN23]

The main waste generated by the Group involve paper, cardboard, plastic, tin and glass, among others. At Santander, we are aware of the importance of proper disposal of waste, so in 2016 we reduced our waste generation by optimizing consumption and proper disposal of such waste. Our headquarters in Santa Fe generated 13.6% of our 178,836.8-kg reduction, representing a 45% reduction in waste produced by our activity.



Total consumption [m³]



Consumption estimates at branches are based on an average obtained from a representative sample of branches. In 2016, we changed the average used to calculate 21.64 m³ per branch per month to 20.92 m³ per branch per month.

Waste	Total Grupo Santander México	Total Headquarters in Santa Fe
PET containers [kg]	48,983.4	6,645
Glass [kg]	2,036.65	276
Cardboard and paper [kg]	127,816.8	17,318
Total [kg]	178,836.85	24,239

The waste is managed through a contractor responsible for the correct disposal of the same and who delivers a corresponding certificate.



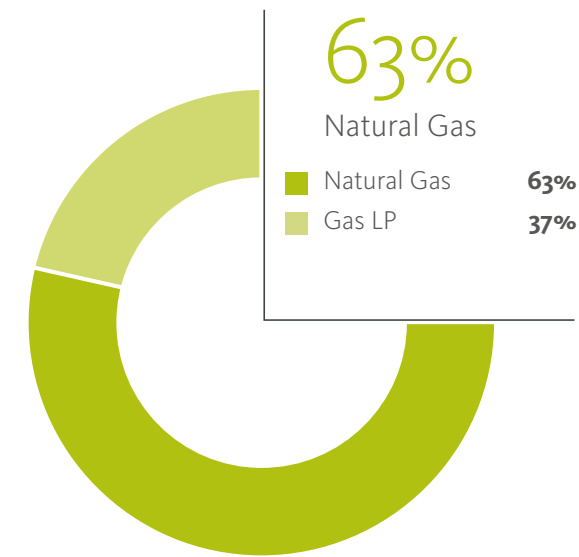
This reduction is equivalent to the weight of just over

MXN 173 million
in ten-peso coins*.

*Information obtained from <http://www.banxico.org.mx/billetes-y-monedas/informacion-general/billetes-y-monedas-de-fabricacion-actual/billetes-y-monedas-de-fabricacion-actual/monedas/moneda-10-pesos.html>

Fuel consumption [G4-EN3]

Today, we use two types of gas for our Group's boilers and stoves: LPG (Liquefied Petroleum Gas) and natural gas. Their difference lies in its calorific potential, price, and safety, and environmental risks.



Santander Mexico is included to use natural gas because of its environmental advantages over LP gas. Risks and accidents are also minimized thanks to the rapid spread of natural gas, unlike LPG which is heavier and tends to go underground, thus increasing the risk of explosion.

Our headquarters in Santa Fe used 444 liters less than the LPG consumed last year. The analysis of this indicator is made possible by the meters installed at the points of consumption, which also allow us to establish measurable objectives.

Indicator (MJ)*	Headquarters in Santa Fe 2016	Grupo Financiero Santander México 2016
Natural Gas	N/A	3,603,735.76
LP Gas	3,323,253.45	5,189,110.86
Diesel	N/A	2,068,757.56

*Consumption of natural gas, LP gas, and diesel was determined from bills and consumption was converted to MJ with the calorific values published by the Mexican Commission for Energy Efficiency (CONUEE).

Annual consumption per capita in Mexico is about 116 liters*, so the savings reported by our headquarters represent the LP gas used by one person in four years.

* Source: SENER (Ministry of Energy).





1.5%

fewer emissions at the Group level

Emissions

[G4-EN15, G4-EN16, G4-EN17, G4-EN30]

The 1.5% decrease in CO₂e emissions compared to 2015 was obtained from our energy efficiency and cogeneration projects implemented at our head office and nationwide.

Following is a breakdown of our 2016 emissions:

2016 emissions (ton CO ₂ e)	Grupo Financiero Santander México	Headquarters Santa Fe
Direct emissions (scope 1)*	683.88 ton CO ₂ e	209.88 ton CO ₂ e
Indirect emissions (scope 2)**	68,383.78 ton CO ₂ e	3,472.92 ton CO ₂ e
Other indirect emissions (scope 3)***	12,733.46 ton CO ₂ e	1,441.84 ton CO ₂ e
Total emissions	81,801.12 ton CO₂e	5,124.64 ton CO₂e

*These emissions include those derived from direct energy consumption (natural gas, LP gas, and diesel), according to Scope 1 of the GHG Protocol. The SEMARNAT 2015 emission factors and the CONUEE 2016 calorific factors were used to calculate these emissions. Gases included in this calculation are CO₂, CH₄ and N₂O.

**These emissions include those derived from electricity consumption, according to Scope 2 of the GHG Protocol. The CFE 2015 factor (0.458 tons of CO₂ / MWh) was applied for electricity supplied by the Federal Electricity Commission (CFE), published by the Ministry of Environment and Natural Resources (SEMARNAT).

***These emissions include those derived from the transport of employees from headquarters to their workplaces in individual cars and collective vehicles, business travel by air and ground transportation between Mexico City and Querétaro. The distribution of employees by type of travel is based on estimates. These emissions were calculated with DEFRA factors.

- Estimates on employee travel to the workplace in single occupant vehicles was based on the number of parking spaces the head offices, and the mix of diesel/gasoline consumed by the Group's vehicle fleet nationwide.
- Estimates on employee travel in commuter buses is based on the average distance traveled by the vehicles Grupo Santander contracts to transport its employees.
- The calculation of Scope 3 emissions reported by the Santa Fe Headquarters does not include air travel.



In 2016, we reduced mileage traveled for short, medium and long-distance business trips by air, and the gasoline and diesel used for ground transportation. The Group's reduction of nearly 27% of this type of transportation represents a 4.35% reduction in emissions system-wide.

Despite the improvements made by our corporate headquarters in Santa Fe, we know that much remains to be done. For example, less than 2% of employees use our commuter buses. Despite this high indicator obtained to calculate our headquarters' emissions, we only recorded a 0.1% increase over last year.

Indicator	Total Santa Fe Headquarters
Individual auto transportation, gasoline [km]	7,153,300 km
Commuter bus [km]	138,380 km



One of the mitigation strategies the Group has implemented to reduce our environmental impact, is the outfitting of our two telepresence rooms in Headquarters Santa Fe which we held 1,130 meetings and six conference rooms in which we held 3,438 meetings in 2016, to prevent emissions, travel less, and save time.

[G4-14]

Mexico joined the Rio Declaration in 1992 and incorporated its principles and provisions in its laws and regulations. Our Bank complies with Mexican environmental standards and tacitly includes the principles of the agreement established by each law.

Training




Grupo Santander believes that it is vital to keep all employees informed about the operation and overview of the Environmental Management System. Therefore, we continuously provide training courses on the subject matter.

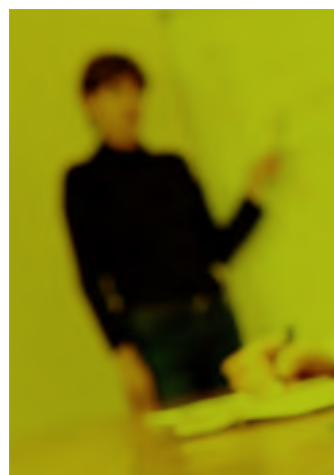
In 2016, we taught the Environmental Management System Course to design and develop training activities for knowledge transfers and assess environmental awareness levels among all employees at the headquarters in Santa Fe. Thanks to this course, we taught two courses titled “General Environmental Management System, Environmental Policy and Objectives” and “Environmental Awareness with a focus on ISO 14001:2004” with their own evaluations of the employees who took the courses.

We also provide online training and policy courses on the Group’s Intranet. Some of the courses involve environmental issues, such as the SGA course. The Grupo also ran environmental awareness campaigns to help strengthen implementation of the EMS by informing our employees of the impact produced by every action, regardless of how simple it may seem.

We are pleased to report that we taught close to 1,500 hours of environmental policy training at the Santander Headquarters in Santa Fe and that we will maintain this activity to ensure a cross-cultural environment.

Environmental policy training at our Santander headquarters

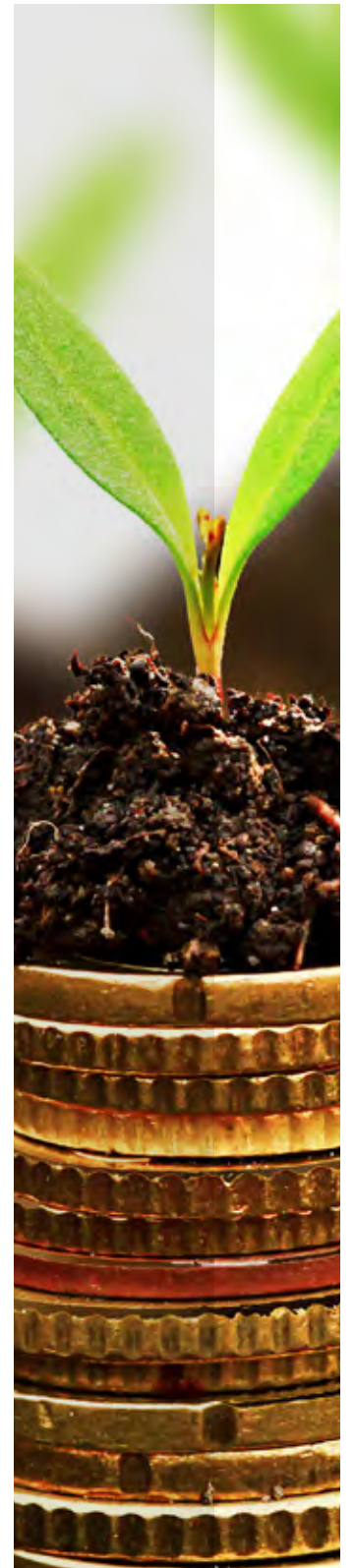
			
Directors	205	61	266
Deputy Directors	242	169	411
Managers	269	251	520
Administrative and Operational Staff	128	165	293
Total	844 hours	646 hours	1,490 hours



Relevant Events in 2016

The year 2016 was eventful, as it allowed us to improve the Group’s efforts to care for the environment not only regarding inputs, emissions, and waste but also by creating a cross-cutting environmental culture in everything we do. Some of the most relevant events include:

- Signing the Sustainability Protocol of the Banks of Mexico Association (ABM) to institutionalize the banking sector’s commitment to sustainable development.
- Assessment of the Mexican Stock Exchange’s Sustainability Index, ranking close to 20% above the national average as the Mexican company with the second-best ranking in this index, with the top ranking in the financial sector.
- We have been listed on the Dow Jones Sustainability Index for 16 years with a score of 92, as one of the best financial institutions in the world and #1 in Spain for the Group’s sustainable management this year.
- Approval of new social and environmental policies to regulate Soft Commodities, financing of defense, and energy.
- We work under the framework of the Equator Principles to determine, assess, and manage the environmental and social risk of development projects.



Long-term Commitment to our Stakeholders

Being sustainable means keeping commitments and developing the media necessary to make sure we integrate our stakeholders' expectations into the Group's strategy and operations, to consolidate long-term trust relations that allow us to grow alongside each individual and company we serve.


13,553,067
 customers, 8% more than in 2015.


129,685,091
 invested in employee training
 resulting in 1,039,541 training hours.


4 years in a row
 being part of the Mexican Stock Exchange IPC
 Sustainability Index.


95%
 of suppliers
 are national.

The SME Advance Program



1,818

grants for entrepreneurs in
 classroom training and

1,110

grants for online training



141

university students completed the
 professional trainee programs at
 partner SMEs



MXN 21,173,700

invested in the program to consolidate
 our position as a strategic partner in
 developing the sector.

Customers

Being sustainable means providing our clients with innovative technology, excellent service, a responsive attitude, ease of access, fairness, safety, satisfaction, and communication, above all. We use communication to guarantee transparency in the sale of our products, the timely measurement of the impact of our activities, and the creation of value.

Customer Satisfaction

[G4-PR5]

At Santander, we continually strive to make sure our products and services not only meet but exceed our clients' expectations. As such, our customer service system provides seven communication and contact channels customers can use to send their complaints, comments, and suggestions about our services and products.

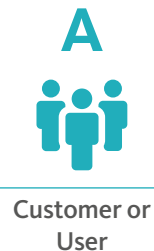
In 2016, our Central Clarifications and Customer Service Unit responsible for reviewing, sorting, and documenting requests, received a total of 9,121 messages, representing a 3% decrease compared to 2015.

Furthermore, and as part of the service improvements made by our Central Clarifications and Customer Service Unit, we developed an online customer self-service feature with FAQs on our main website, as well as a virtual assistant, contact numbers, and a branch and ATM locator. We implemented these actions to provide personalized and streamlined customer services by answering our clients' questions in a more efficient and satisfactory manner.

We carry out daily surveys to assess customers' satisfaction levels, to complement our customer service channels as we continuously endeavor to improve our service level. During 2016, we took the following actions based on the findings obtained from the 77,632 surveys we applied:




77,632
satisfaction surveys completed.



Customer or User

Canales de entrada

1 Supernet

- Customer registers complaint
- Automatically receives folio and SLA (letter-commitment acknowledgment of receipt)

2 Banner (portal)

- Customer or User registers folio
- Automatically receives folio and SLA
- Registers contact information (email and mobile phone number) *

3 Branch Network

- Receives and records complaint
- Provides letter-commitment acknowledgment of receipt and SLA
- Registers contact information (email and mobile phone number) *

4 Contact Center

- Receives complaint
- Reports folio and SLA
- Registers contact information (email and mobile phone number) *

5 Customer Ombudsman

- Receives complaints and informs Customers that the Central Customer Service and Clarifications Unit will process their claims
- Emails the complaint

6 Social Networks

- Receives and registers complaint (VPN)
- Automatically receive folio and SLA
- Registers contact information (email and mobile phone number) *

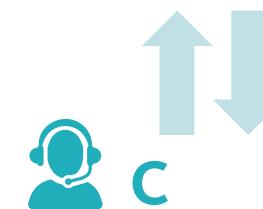
7 Radio Show

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



Service Center (System Manager)

- Generation of folio numbers
- Automatic letter-commitment acknowledgment of receipt, email, and SMS
- Automatic response letter and SMS (closes file/folio)



Central Clarifications and Customer Service Unit

- **Supernet, Contact Center, Branch Network, and Social Network channels**
- Analyze the case origin, make decisions and/or resolve the matter with the different Bank or Subsidiary Departments
- Obtain opinion and issue automatic response (email and SMS)

All other channels

- Register the complaint in the SC system
- Follow the processes above
- **Generates statistical information by product, department, channel, program, process, segment, criticality, and root cause**

Governance:

- Promotes and tracks improvement implementations
- Informs the different departments and tracks indicators and ratios



Customer or User

- Receives automatic acknowledgment notice via SMS and email
- Automatically receives response (email and SMS)



Escalation (Bank and Subsidiaries)

- Receive and analyze request.
- Identify the root cause
- Visit Customer, if necessary
- Prepare response and mail it to the Central Customer Service Unit
- Implement Improvements



1. We climbed one position in the Service Satisfaction Benchmark, ranking #2 among the leading banks in Mexico. The purpose of this benchmark is to measure and compare bank positioning in terms of customer satisfaction, valuing general service aspects and channels, as well as price, brand, and image.

2. We clearly focus on improving the customer experience by improving our processes; for example;

a. We started to register our customers' email addresses to send their account statements online, thus recording 1,048,700 account holders in 2016, who now enjoy:

- Unique password protection, reducing the risk that other people might access the information.
- Timely delivery of their statements to their registered email addresses. Una mejor gestión de recursos para evitar impactos negativos a la naturaleza.

b. We implemented certification processes in our Insurance business to measure and ensure quality levels in our different sales channels, through:

- **Branch Welcome Calls** where 95% of customers confirm that they buy our insurance coverage.
- **Online Validation at the Contact Center** where 97% of customers confirm that they buy our insurance coverage.
- **External telemarketing tracking services** with 99% compliance of the regulatory provisions established by various entities.
- We also created a cell with specialized executives at our Contact Center to enhance our customers' experience when filing a claim.

3. The Group also continues to strengthen its branch infrastructure while improving our processes. We opened our first Smart Network branch, equipped with:

a. A multichannel area

- Offering customers a new digital experience with self-management modules, tablets, and Wi-Fi services to operate our various channels.
- A 24/7 self-service area with multiple cash dispensers and cashiers staffed with customer service agents.
- Automatic router, to organize customer traffic segmented by transactions, where our host welcomes clients and directs them to the relevant cashier and help desk areas.


b. A current customer service desk area for bankers, with a Digital Wall, children's entertainment features, and free internet throughout the branch. Nuevos elementos de comunicación, una imagen totalmente renovada, óptimo aprovechamiento de la luz natural, eliminación de barreras y mucha visibilidad al interior de la misma.

Finally, and in line with our corporate culture, the Santander Style Program created in 2014, endeavors to streamline our customer service procedures with simple, personal, and fair processes. Santander Style also provides employees with a space they can use to reflect and engage in team dynamics to create the customer best practices they pledge to implement.

As part of the Santander Style Program, our employees received 13,847 Wow* congratulations from customers in 2016, and approximately 300 Santander Style Ambassadors received thank you letters for consistently applying best practices our clients appreciate and recognize.



In 2016...

 In most cases, customers setting off rescue** alerts are contacted, and we succeed in reverting their complaint.

We received more than  **13,847** Wow felicitations.

We delivered close to  **300** letters of recognition for outstanding bank teller services under the Santander Style Program.

*A Wow is generated when a customer leaves a comment on a poll when asked if the executive did something special to improve their customer experience.

** A rescue is when a client leaves a dissatisfaction comment and rates the care they received with less than 7 on a 10-point scale.


1,346

branches, 23% more than in 2015.


6,825

ATMs, 16% more than in 2015.

Transparency in product development and marketing

[G4-PR3 y FS15]

The basic guideline that provides the model to maintain the right balance between the risks our customers assume when purchasing a product and their expectations of the benefits it offers both them and the Bank is the regulatory framework established by our Corporate Office in line with local regulations for approval processes and tracking products and services.

This framework is intended to minimize the entity's exposure to risk and reputational conduct when marketing products and services, including the admission, pre-sale, and follow-up or after-sales phases in the cycle. It also establishes the functions carried out by the Local Marketing Committee (LMC), the entity responsible for matters related to marketing Santander products and services.

The Local Marketing Committee's functions include a) ensuring compliance with applicable regulations; b) making sure that the inherent risk of each applicable product and service is commensurate with the appetite or offered by the Group in the past; c) ensuring the existence of a feasibility study for each product or service, including analysis of all features and technological developments required to ensure its development; d) making sure that the product or service fits the entity's catalog or offer; e) ensuring the financial product's proper classification according to the methodology established by the business corporation; f) ensuring the clear establishment of the target audience, based on its needs and characteristics; g) defining controls to keep from offering the product or service to customers outside the target audience; h) defining the proper channels to market each product/service to ensure compliance with the principles of transparent information and adequate protective mechanisms, at all times; i) making sure that the approval process determines the proper advertising, commercial, pre-contractual, contractual, and post-contractual documentation proper to each product or service, customer and type of marketing, and the information to be conveyed to customers in a clear and transparent manner.



New rules were created for marketing products and services, including the admission, pre-sales, sales, and after-sales phases to align our customer and institutional interests and reinforce our consumer protection culture with an approach that creates an environment of transparency.



Impact of Products and Services

[FS1, FS2 y FS3]

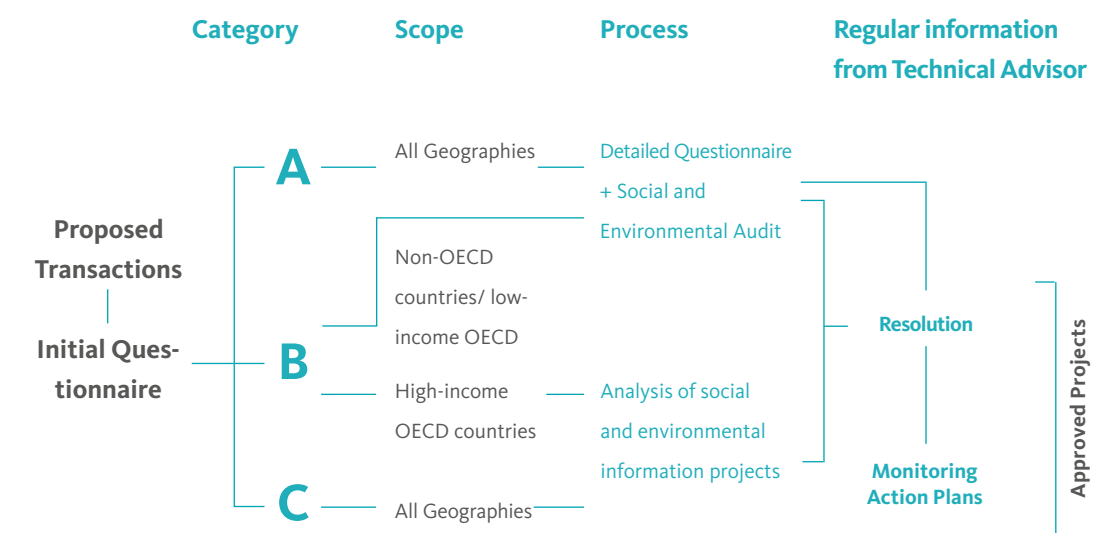
According to the Group's social and environmental policy, Santander evaluates financing projects above USD 10 million according to the Equator Principles. Our Business Division oversees coordinating our environmental due diligence with the Group's advisors and managing the creation of questionnaires to measure the social and environmental risks involved in each project. This is how this policy governs the Group's decisions regarding customer loan approvals.

The purpose of our impact policy is to maintain control and record potential risks associated with the development of infrastructure and energy projects, as sectors constituting a pillar for economic development.

The financial and commercial analysis involved in the financing process is complemented by a thorough social, environmental study based on the Environmental and Social Survey (ESQCorporate) we use to monitor a project's impact with help from expert consultants in the field.

Social risk and environmental analysis procedure according to the Equator Principles for Project Finance

More than USD 10 million



- a. Project Finance with a significant negative impact and higher risk.
- b. Project Finance with a lower adverse impact risk.
- c. Project Finance with very little or no impact on the environment.

The financial products subject to the Equator Principles are:

1. Financial Advisory Services when the total capital cost of the Project amounts to USD 10 million or more.
2. Financing when the total capital cost of the Project amounts to USD 10 million or more.
3. Corporate loans linked to projects (including Export Financing as Buyer Credit) when the following four criteria are met:
 - a. Most of the loan is linked to a single project over which the customer has effective direct or indirect operational control.
 - b. The total loan amount is at least USD 100 million.
 - c. Individual EPFI commitment (before syndication or resale) is at least USD 50 million.
 - d. The loan term is at least two years.
4. Bridge loans with a less than a two-year term that will be refinanced with Project Financing or a Corporate Loan Linked to Projects, which are likely to meet the relevant criteria.

In Mexico, we have environmental consultants responsible for preparing reports in compliance with the Equator Principles.

Once a project is approved, it is formalized through a credit agreement including the borrower's Obligations to Do, including the obligation to deliver reports on relevant environmental issues depending on each type of project.

Follow-up reports are usually prepared on an annual basis, and this periodicity only changes in the case of special contracts. Customers have between 60 and 90 after the first year of the contract to submit their environmental compliance reports, which are usually prepared by independent

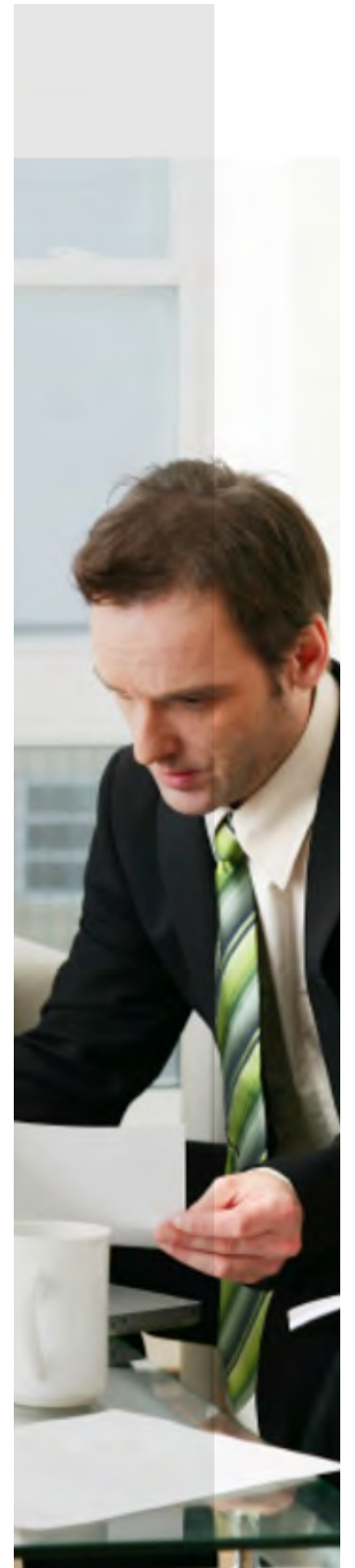
specialists, who describe the level of compliance with each environmental guideline the project should cover.

In cases that do not comply with the established levels, the specialist includes the improvements to be implemented to reach the target level. It is important to note that the environmental scope of each contract is based on the characteristics specific to each type of project.

If the improvements cannot be implemented promptly, customers must request an amendment to the clause in the obligations agreement. The change may include a change to the obligation or stipulated compliance deadline, which shall be submitted to the authorization procedures established by each participating bank.

Failure to receive a report on time is cause for breach of contract. Should this happen, the bank notifies the customer of the situation and gives him/her a deadline, usually set at 30 days, to remedy the situation.

According to our social and environmental risk analysis procedure, we evaluated ten projects worth MXN 57.335 billion in 2016.



Marketing

At Santander, we know that marketing is one of the fundamental tools to establish relationships with the Group and our customers. Marketing allows us to learn and meet our customers' needs to make them profitable. It also allows us to create bonds of trust and interest that allow us to contribute to the progress of businesses and individuals alike.

Our marketing activity is subject to the provisions and legislation established for the financial sector, which is regulated by agencies such as the National Commission for the Protection and Defense of Financial Services Users (CONDUSEF), the Mexican Central Bank (BANXICO), and the Mexican Banking and Securities Commission (CNBV).

Portals

In 2016, our real estate portal www.casacompara.com closed the year with a total of 4,227,306 visits and 1,400,582 network users. We received 11,203 mortgage applications through the website and posted 102,000 properties.

Santander has the world's first travel search engine backed by a financial institution. Our portal www.viajacompara.com features the best travel sites and destinations worldwide, with personalized attention offered by our Call Center Agents.

In 2016, we significantly improved our website to include 94% of all tourism offers with more than 376 suppliers. The number of visitors totaled 763,527 with 5,430 sales. Since its launch, the site has generated 11,167 sales.

The portal www.autocompara.com has positioned itself as the leader in auto insurance benchmarking. It features ease of use and diverse payment plans that can be annual, semi-annual, quarterly, and monthly. In 2016, the website recorded 1,898,331 visits with 1,472,366 users. Also in 2016, we provided 812,509 quotes and recorded 18,009 exclusive sales online.



Search Engine	# of visits
www.casacompara.com	4,227,306
www.viajacompara.com	763,527
www.autocompara.com	1,898,331

Sponsorships

Santander sponsors a variety of events that are of interest to our customers. In 2016, we increased our products and company's visibility by announcing their benefits. Sponsorships create an affinity between our customers and the Group and allow us to develop stronger and lasting ties.

In 2016, we conducted several activities related to sponsoring Scuderia Ferrari. Our Santander Supersale consisted of offering customers the opportunity to purchase their Mexico Formula 1 tickets before anyone else and participate in a contest to win a trip for two to the Ferrari factory in Maranello, Italy. Another event was the meeting held at the Tec de Monterrey Santa Fe Campus, where 400 students met famous F1 driver Sebastián Vettel.

We also collaborated with Telcel in the #SFMeets event where Scuderia Ferrari fans spent time with the Ferrari F1 drivers at Plaza Carso and finally, the Grand Prix of Mexico, where we invited close to 10,000 customers to enjoy the three-day event in different sections at the Hermanos Rodríguez racetrack.

The promotion of our new Santander Plus product allowed us to offer customers the opportunity to win tickets to the Mexican Grand Prix. The contest dynamic consisted of enrolling in Santander Plus, using the digital banking feature, registering for the promotion and using the Bank's different services, such as Direct Pay, growing money, card spending, investments, and insurance to accumulate laps and win.

Another event was the Santander Autocompara athletic race also held at the Hermanos Rodríguez car racetrack. In this race, our customers ran 5K to 10K and participated in the contest offering 100 double tickets to the Grand Prix, regardless of their position in the race.

The Bridgestone Libertadores Cup is another one of our major sponsorships, and this year we invited over 400 guests to the stadiums to watch different games played by the Mexican soccer teams.

All these sponsorships, coupled with pre-sales for events like the Rolling Stones and Chayanne concerts, shows like Toruk of Cirque du Soleil and a variety of exclusive pre-sales for events at Arena Monterrey, have positioned Santander among its stakeholders and forged long-lasting bonds with its customers.



Paperless Campaign

In 2016, we continued to strengthen our commitment to the environment with our Paperless Campaign. We informed customers that we would stop sending paper statements, which they could find on our website or at our branches. We did all this to reduce paper consumption, which fell 40% compared to 2015.



Social Networks

Santander took advantage of the social networks boom to expand and improve communication with our customers, ensuring an honest and transparent conversation. We use our Facebook and Twitter accounts and our YouTube channel to post infographics, news, and videos, among others reporting on relevant issues and increasing our followers' financial literacy.

At the close of 2016, we have:



1,691,249
followers



139,396
followers



2,747
followers

Market Research for Sustainability [PR5]

At Santander, we know that customer satisfaction measures our Group's sensitivity regarding customer needs, so we believe that it is essential to ensuring long-term success. Developing products aligned with their expectations and ensuring closer bonds with our clients provides information about our relationship with them and how we can improve it.

We conduct sustainability studies to provide services that consistently meet their needs. These studies allow us to assess and renovate the main aspects of our products and services.

In 2016, we conducted ten studies to learn our customers' perceptions and deepen our understanding of their needs:

Santander Plus

- **Segment:** premier and preferred.
- **Purpose:** assess Santander Plus communication materials, ads and spots to determine the outcome of the sales efforts made by Bank branches.

Aeroméxico

- **Segment:** university, premier, and select.
- **Purpose:** determine if our co-branded Aeromexico card offers a competitive advantage for the segments targeted with the value offered.

19,113

correspondents, 7% more than in 2015

Correspondents

- **Segment:** all levels.
- **Purpose:** support financial inclusion by tracking the quality of service received by Santander customers carrying out transactions through bank correspondents OXXO, Telcomm, and 7-Eleven.

SME Exploratory

- **Segment:** Small and medium-sized enterprises (SMEs).
- **Purpose:** obtain ideas to develop new enhancements to banking services and products for the SME segment.

ATM insurance

- **Segment:** all levels.
- **Purpose:** identify customer perception and satisfaction levels with insurance sales through ATMs.

Young University Professionals

- **Segment:** university.
- **Purpose:** meet the financial and non-financial needs of the young professional segment, and learn its perceptions about the package currently offered by Santander.

USA employees

- **Segment:** employees.
- **Purpose:** learn the financial uses and habits of all Santander employees and their engagement with the Bank when considering the acquisition of a financial service.

GP employees

- **Segment:** employees.
- **Purpose:** learn Santander employees' perceptions and opinions about the 2015 Mexico Grand Prix, and how it creates a connection with the Bank in terms of identification.

USA mid mass

- **Segment:** classic and preferred.
- **Purpose:** obtain strategic information that allows Santander to learn about its Classic and Preferred Banking customer use habits.

Tracking sponsorships

- **Segment:** all levels.
- **Purpose:** measure the impact of brand recall at sponsorships and Santander's positioning through evolutionary tracking activities.

We used various methodologies when researching the sustainability of our products that provide a better understanding of our customers' opinions. Some of the methods we implemented include neuromarketing, focus groups, mystery shoppers, 1:1 interviews, online interviews, and phone interviews, as well as online communities and workshops.

The ten studies we conducted over the course of the year gave us a direct approach to our customers, which allowed us to learn about their expectations, tastes, understanding of sustainability, and their preferences and ideals.

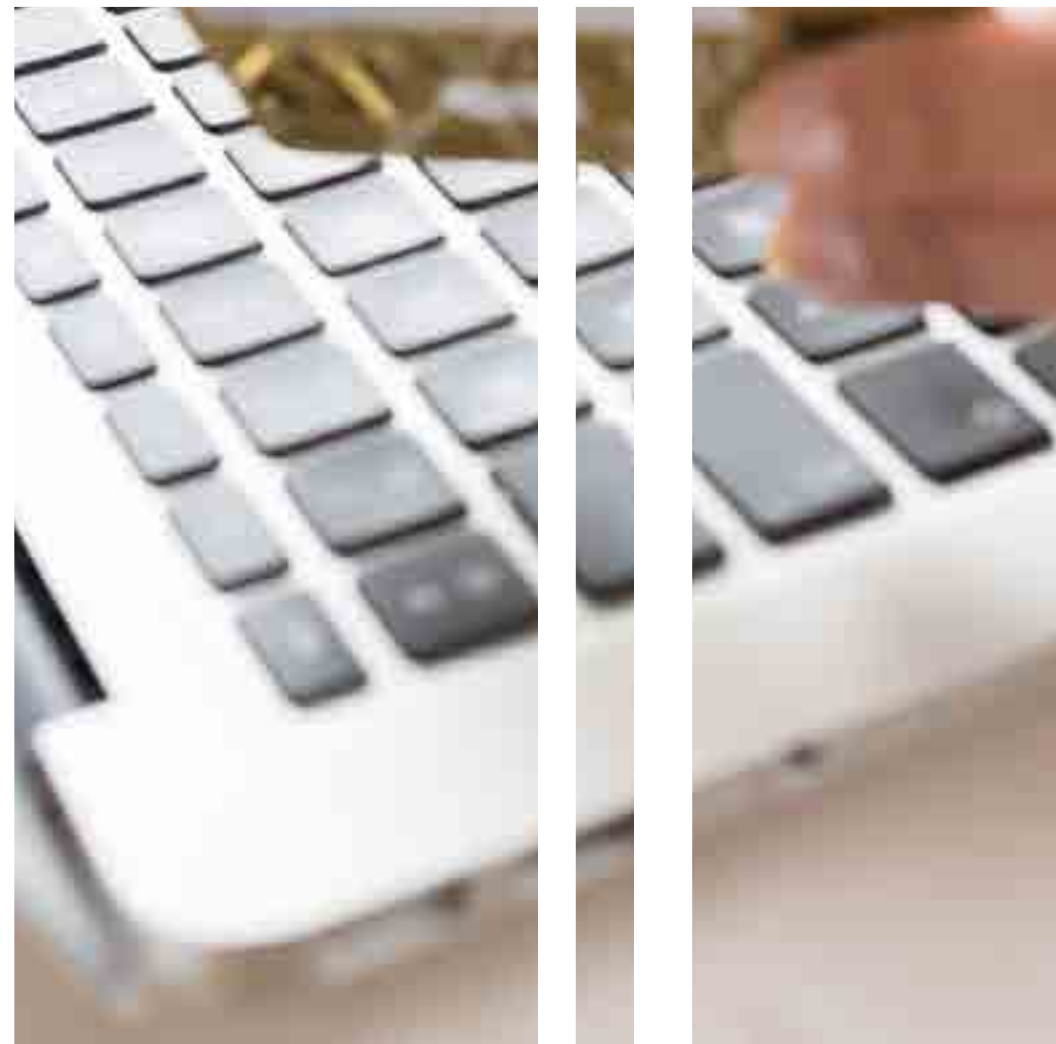


Accessibility

[FS13 y FS14]

To facilitate general access to the products and services Santander offers, we have an extensive network of correspondent banks to strengthen the financial inclusion of low-income population segments.

	Average customers served per month	1,067,046
	Percentage increase of customers compared to 2015	3%
Contact Center	Total de transacciones realizadas en el Contact Center	189,919
	Percentage increase of transactions completed compared to 2015	-4%
	Percentage of transactions compared to the Group total in 2016	0%
	Portfolio recovery in 2016 (millions)	\$15,515,448,409
Supernet	Total Transactions Completed	297,682,542
	Percentage increase of transactions completed compared to 2015	11%
	Percentage of transactions compared to the Group total in 2016	25%
	Number of customers using Supernet	856,407
	Increased percentage of customers compared to 2015	36.8%
Super Mobile	Total Transactions Completed	437,232,305
	Percentage increase of transactions completed compared to 2015	51.6%
	Percentage of transactions compared to the Group total in 2016	36%
	Number of Super Mobile customers	901,325
	Increased percentage of customers compared to 2015	92.9%
Mobile banking	Total Transactions Completed	734,914,847
	Percentage increase of transactions completed compared to 2015	32.1%
	Percentage of transactions compared to the Group total in 2016	61%
	Number of affiliated customers	1,965,578
	Percentage increase of affiliated customers compared to 2015	63.4%
	Number of active customers	1,373,480
	Percentage of increase of active customers compared to 2015	60.2%



Direct Pay	Total number of direct pay transactions completed in 2016	827,468
	Percentage increase of direct pay transactions compared to 2015	27.9%
Total Branches	OXXO	15,538
	Telecomm	1,701
	7 Eleven	1,874
Correspondents	Total Transactions Completed	19,723,634 transactions at OXXO, 48% more than in 2015. 41% of the total transactions carried out by people in low-income segments. 19,723,634
	Total Transactions Completed	2,206,962 transactions at Telecomm, 12% more than in 2015. 46% of the total transactions carried out by people in low-income segments. 2,206,962
	Total Transactions Completed	1,122,880 transactions at 7-Eleven, 119% more than in 2015. 39% of the total transactions carried out by people in low-income brackets. 1,122,880
	Percentage of transactions compared to the Group total in 2016	2%

ATMs	Total Transactions Completed	452,445,443
	Percentage increase of transactions completed compared to 2015	16.6%
	Percentage of transactions compared to the Group total in 2016	37%

Every year we monitor the satisfaction level, and type of transactions carried out by our customers through our Bank correspondents OXXO, 7-Eleven, and Telecomm.

Our correspondent banks offer a profitable business model to offer people living away from urban areas access to services such as loan payments, deposits, transfers, withdrawals, and opening new accounts.

In 2016, 41.3% of all transactions completed through our correspondents came from low-income brackets, representing 1% of the Bank's total transactions.

This is how we encourage financial inclusion and favor access to our services through alternatives other than bank branches.

Social impact products

One of the leading products we have to promote entrepreneurship is Santander SMEs, a program that encourages the growth of small and medium-size enterprises in Mexico. This initiative is based on active listening and working together with the Bank's business customers.

Santander SMEs was created to expand the framework to build relations between the Bank and SMEs, becoming not only the financial partner that meets their banking needs but also their partner for growth. We make all our resources available to this group of small and medium-sized companies through an innovative, modern, and unique communication platform that is easy to access.

In 2016, in seeking to align our initiatives with the Bank's corporate culture, we developed simple programs such as Structured SME Financing, a product focused on financing transformational and long-term growth projects, offering our customers flexible terms, cash withdrawals, payments, and coverage rates.

We also created Superlínea Santander to provide specialized consulting services and answer our customers' questions by offering our SME customers a more personalized communication option.

Lastly, we updated our Super Mobile SME app by tailoring it to meet the needs of our individual and business customers in this segment. We also developed Mobile Link, a new mobile banking platform designed exclusively for small and medium-sized enterprises.

For every Female Medical Protection Insurance policy purchased, the Bank donated MXN 50 to the Mark Foundation to build, outfit and operate a recreation center for low-income cancer patients ages 2-18. The center will open in 2017.


60%

of our branches have ramps and special toilets for people with disabilities.



Our Agribusiness 50,000 Program

This program offers short and long-term loans guaranteed for 40% of all applications, to finance legal economic activities in towns with less than 50,000 residents, that are conducive to generating jobs and reviving the community's economy.

In 2016, we authorized 29 loans to finance rural projects that helped create jobs.

Women-owned SMEs

The Women-owned SME program supported by the National Institute for Women (INMUJERES), the Ministry of Finance and Public Credit (SHCP), the National Institute of Entrepreneurship (IN-ADDEM) and Mexican Development Bank Nacional Financiera (NAFIN), targets companies led by women who need to develop their business model and financial resources to grow.

With access to financing and business development tools, this initiative aims to boost growth and consolidation of micro, small and medium enterprises led by women in Mexico. In 2016, we gave out 617 loans to women entrepreneurs who started or expanded their business.

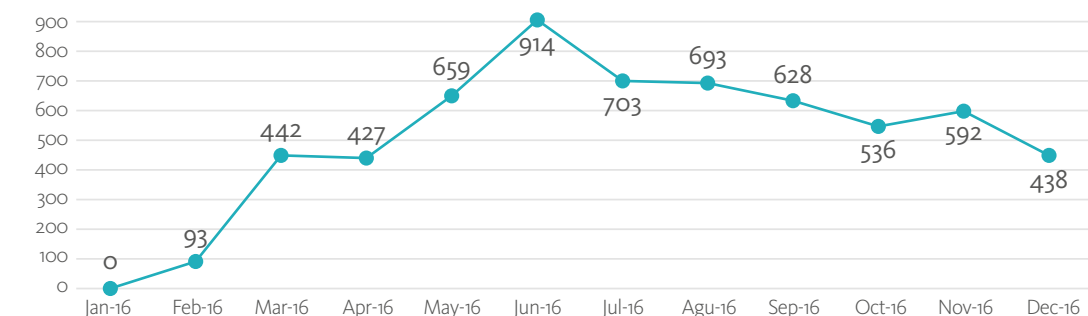
Financial Literacy

[FS16]

The main tool Santander Mexico uses to promote and disseminate information is the [ABC of Your Finances](#).

One of the primary purposes of this site is to help people have access to financial basics and literacy tools at the different stages of their lives, to promote their welfare. For example, teach children the value of money and savings, prepare young people to go out on their own, assist families in making basic decisions such as buying a house or preparing the family budget, and helping senior citizens prepare for retirement.

In 2016, our website made a variety of video, simulators, and infographics available to the general public. Access to this information is measured by the number of clicks on a website, recorded as follows:





SME Advance

The Santander SME program features the SME Advance option that includes a variety of support and service benefits offered only in Mexico. Some of these services include talent search and training, and financing and internationalization.

Regarding training, we know that SMEs develop in a dynamic financial environment that requires the acquisition and development of new skills and knowledge. As such, we offer online and classroom courses to help entrepreneurs become more competitive and continue their education.

Financing SME projects is of the utmost importance to Santander. Therefore, we put together a structured financing program to offer SMEs with more than five years of operations, the possibility of financing investment projects for business growth.

Regarding internationalization, we promote connections that facilitate business ties abroad. We also operate Santander Trade that provides resources such as databases for importers and exporters as well as customized services and the International

Desk tool that helps our customers expand their business to other countries with legal and logistical advice, to strengthen their SMEs outside of Mexico.

Regarding the search for talent, our SME Advance program help SMEs find the right professionals for their line of business. Those interested can post vacancies free of charge and select the ideal candidates to make sure they have the best talent that contributes to their company's growth. A total of 115 people found jobs through our jobs platform in 2016.

In 2016, Santander SMEs, Santander Universities, and Universia worked together to bring the best college talent to our SME customers. The idea behind our internship program is to have young people contribute their knowledge and skills to help grow and develop our clients' businesses. During the first year after implementing this initiative, we gave our 141 grants for a four-month internship, and intend to reach 5,000 grants within the next three years.



In 2016, the **SME Advance** program awarded

1,818

grants to entrepreneurs

for classroom training and **1,110** scholarships for online training.

The Customer's Ombudsman at Santander





Santander Mexico started its customer Ombudsman program nine years ago. This figure is designed to offer our customers a transparent mechanism for communication and dispute resolution regarding the Group's activities.

The Customer's Ombudsman is completely independent of the Bank and its subsidiaries and has direct contact with the Board of Directors. The decisions taken by the Ombudsman are final.

The claim process is simple. Customers call or write to the Ombudsman, or visit their offices to submit their claims. The claim is then analyzed, and customers receive the response through the same media they used to file the claim.

In 2016, we received 1,759 claims and closed 1,778 cases. The response to 1,291 claims favored our customers, representing 73% of total cases resolved.

Cases 2016

Received	Closed	Favorable response to the customer	
1,759	1,778	1,291	
Case reception means			
			
Telephone	Email	In person	Website
561	776	79	343

* The other 14.8% is related to cases from previous years.

On the other hand, in 2016 we improved communications to inform our customers about the collection of mandatory liability insurance.

Since its inception, the Ombudsman's position was created to provide streamlined, personal, and fair customer services, facilitating the processing of their requests through direct and constant communication. The Ombudsman is tasked with being impartial in their decisions.

In 2017, the Ombudsman will seek to improve online customer services to immediately address and resolve certain claims and complaints, reducing overall response times.



Employees

Being sustainable means caring for your own, so we offer our employees the opportunity to reach their full potential while providing a safe and healthy workplace to guarantee their best performance. We also reaffirm the importance that each of them represents for the Group.

Employment

[G4-10, G4-EC6, G4-11, G4-LA1]

At Santander, we focus on being profitable and sustainable through a customer-centric business model. We can only achieve this by having the best human capital that must be trained and evaluated on a continuous basis.

This continuous evaluation process produces a natural effect by which some staff leaves the institution for a variety of reasons.

Outplacement activities after a layoff is of vital importance to us. When this happens, as it did in 2016, we at Santander start with the principle of meeting our obligations with several measures we have in place to help former employees find a job, such as:

- Professional recruitment consulting services.
- Assessment of skills, knowledge, and abilities
- Help with preparing professional resumes.
- Interview training.
- A job exchange.

Our outplacement program consists of providing advice for outgoing employees about the termination process to help reduce emotional conflict and guide them in acknowledging their strengths, opportunities for improvement and potential, and helping them find a new job in the most efficient manner. This is how we endeavor to deal with a situation that can be negative and turn it into a source of opportunities.

In 2016, we created 661 internal and 562 external positions. The total number of employees at the end of the year was 20,156, including employees and personnel outsourcing. Of this total, 15,753 have full-time jobs, and 1,223 are active under temporary employment contracts, with 3,180 outsourced employees. 21.8% of our employees are unionized. Of the Bank's 771 management positions*, 7.9% are held by foreigners, and 92.1% by nationals.

	Total employees	Permanent contracts	Temporary contracts	Outsourcing
Men	8,018	7,388	630	1,417
Women	8,958	8,365	593	1,763
Total	16,976	15,753	1,223	3,180

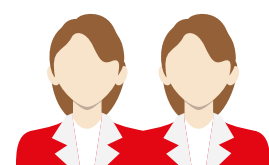


The total number of outsourced employees hired stood at 1,739, of which 56.5% were women and 43.5% men.

Age range	Men	Women	Grand total
Under 30	578	750	1,328
Between ages 31 y 40	123	145	268
Between ages 41-50	34	66	100
Over 51	21	22	43
Total	756	983	1,739

Also in 2016, we brought in 2,951 new internal hires, of which 50.8% are men and 49.2% women. The age group with the highest contracting percentage was under 30, representing 77% of all new hires.

Age range	Men	Women	Total
Under age 30	1,113	1,161	2,274
Between ages 31-40	279	216	495
Between ages 41-50	86	65	151
Over 51	24	7	31
Total	1,502	1,449	2,951



53%

are women,
who hold 32% of the Group's management positions.

*Our 771 management positions are held by 4.5% of total employees.




Gender Equality and Human Rights

[G4-HR2]

At Santander, we support equal opportunities and respect for human rights, emphasizing non-discrimination through the General Code of Conduct, the Rules of Operations, and the Equality Policy.

These mechanisms, combined with Santander's dissemination and awareness activities as well as training on human rights, nurture our employees' comprehensive, ethical, and human development.

In 2016, we taught 142 hours of our gender equality program to directors, deputy directors, sub-directors, managers, and administrative and operational staff through our Equality course.

Equality course			
Directors	2	0	2
Deputy Directors	6	2	8
Managers	45	21	66
Administrative and Operational Staff	25	41	66
Total	78 hours	64 hours	142 hours



A total of **178 employees** took our Equality course, representing **1%** of all employees.

Santander values diversity and inclusion in our company. So, in 2016 we created the Santander Way Culture Committee made up of senior management team members and employees from other departments including our CEO and vice presidents. The purpose of this committee is to promote the integral development and full recognition of employees with their unique individual characteristics, as a factor that is indispensable to strengthening our institution.

The topics addressed by this Committee include the work environment, organizational culture and ethics, team management practices, recognition program, employee rights, diversity policies and practices, balancing professional and personal life, and general sustainability policies, among others.

We seek to build a work environment that nurtures the best of each among all employees based on mutual respect and support, with full recognition of identities, valuing differences and protecting the balance between their professional and personal lives.

Under these assumptions, in 2016, we have 11 employees with disabilities, including five women and six men working in our Contact Center in Querétaro, plus another male employee in the North Region, one at the Head Office, and the third one at Torre Diamante. Our staff labor inclusion principle means that they have a job with the same work conditions, wages, and hours as any other employee without disabilities.

Knowing how to value differences, understand individuality and nurture our employees' well-rounded development allows us to grow as a group and set new goals with respect for equality and human rights as our top priority.



Balance between work and family life

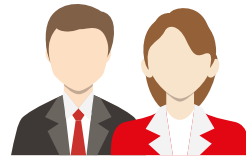
For Santander, our employees' balance between work and family life means offering men and women equal opportunities to develop in all areas of life and significantly improve their quality of life.

As part of this balance, we operate the Somos Santander (We are Santander) scholarship program that supports employees at Banco Santander Mexico and its subsidiaries' operations so their children can study a semester abroad as part of our undergraduate exchange program.

In 2016, we gave a total of 11 international mobility grants to our employees' sons and daughters for the January to June or August to December 2017 semesters. Each scholarship consists of MXN 50,000 to cover living and housing expenses for the entire semester, and a round-trip airplane ticket in economy class from the student's city of origin.

We have also followed up on the Flexiworking program we implemented in 2015, to provide an environment with flexible work hours and independence for the teams, fostering a culture of efficiency, productivity, and meritocracy. This year we conducted surveys to measure our flexible work arrangements to date.

A total of 1,386 employees of the 4,337 qualified to work under the Flexiworking program took the survey, and 65% said that the flexibility measures implemented had improved the balance between their professional and family life. The study measured when employees clock-in for work and Flex Friday.



75% of the 2016 Grupo Santander Commitment Survey respondents said that their direct supervisor facilitates a reasonable balance between work and family life.

To complement this program, Santander offers paid leave, the afternoon off to celebrate your child's birthday, personal business days, a daycare assimilation period, weddings, and maternity and paternity leave for adoptions.

We make sure that our employees have a balance that represents freedom to make the most of every aspect of their lives, thus reinforcing our commitment to help them realize their full potential both at home and on the job.

Training

[G4-LA9]

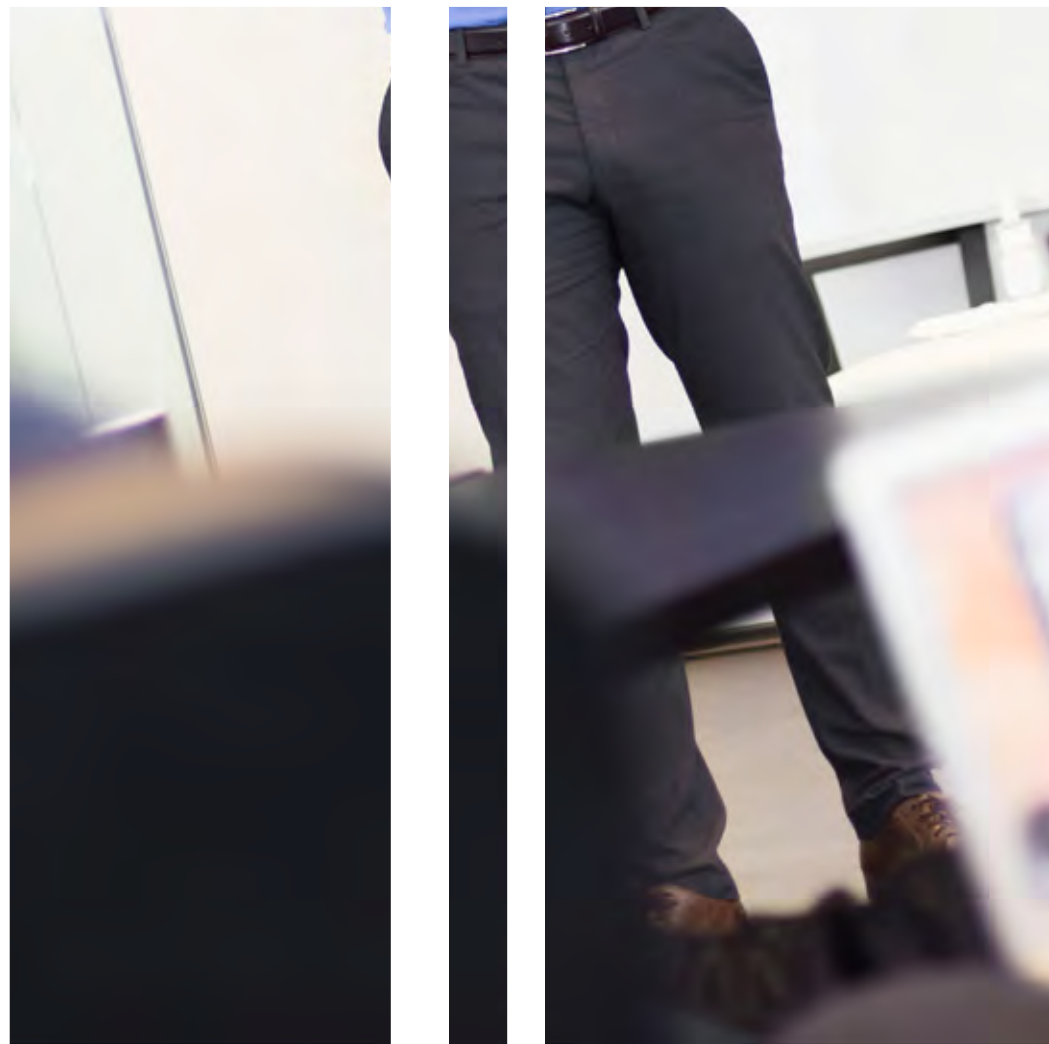
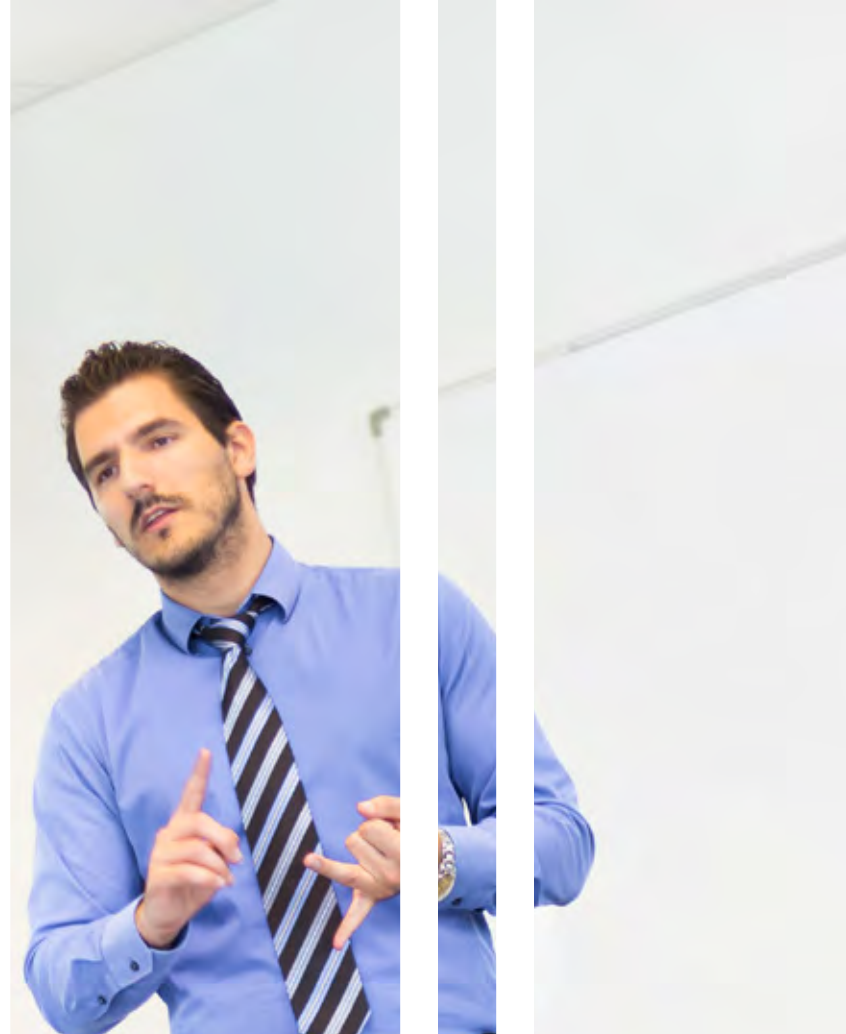
There is no question about the importance of training as a business investment by our Group. With it, we grow at a technical level. We create a positive organizational culture, acquire better skills and project a stable and trustworthy corporate image.

We seek to have employees qualified in technical and practical skills that enhance productivity and performance rates for both the company and at an individual level. Therefore, in 2016 we invested a total of MXN 129,685,091 to provide 1,039,541 hours of training to 99% of our employees.



\$129,685,091

invested, 4% more than in 2015.



1,039,541

hours of training.

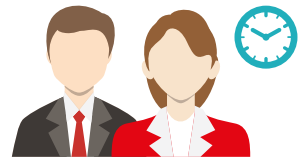
We operate three categories of training programs based on the needs and skills required by each of our employees.

- **Technical:** to master a tool and/or process to optimize the employees' daily functions.
- **Regulatory:** to include formal courses certified by government authorities.
- **Management:** focused on developing skills to encourage teamwork, achieve goals, and meet human needs.

On average, our employees received a total of 61 hours of training each, 57.6% of which were taught by the Group's administrative and operational staff.

Position	Men	Women	Average hours of training per position 2016	Average hours of training per position 2015
Directors	615	161	54	47
Deputy Directors	837	519	53	60
Managers	2,727	2,371	64	77
Administrative and Operational Staff	3,766	5,917	62	61
Total	7,945	8,968	61	65

Position	Classroom courses	Virtual lessons	e-learning	Total hours 2016	Total hours 2015
Directors	23,617	492	17,581	41,690	37,066
Deputy Directors	41,107	1,137	29,651	71,895	81,531
Managers	178,575	7,085	141,305	326,965	388,774
Administrative and Operational Staff	298,099	2,005	298,888	598,991	607,128
Total	541,398	10,719	487,425	1,039,541	1,114,499

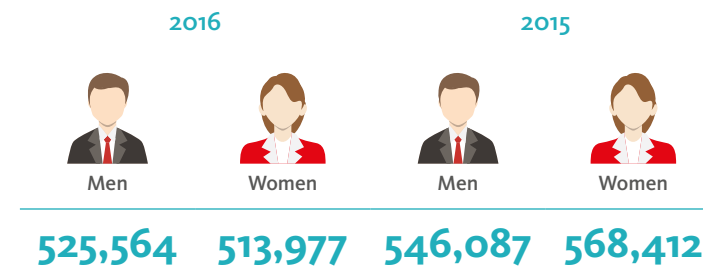


The average hours of training per year for women was **57.3 hours**, with **66 hours** for men.

Hours of training by type of course



Hours of training by gender



Talent Development and Retention

[G4-LA1, G4-LA10, G4-LA11, G4-LA12]

At Santander, we believe that in order to ensure our employees' full potential and development, we must use measurement and assessment tools to identify their strengths and opportunities and implement improvement plans to help them perform at their best.

Furthermore, our talent development and retention processes allow each employee to align their personal and professional goals with the Group's objectives, resulting in the best possible combination to meet the organization's goals.

99%
of employees covered.



71% of the 2016 Grupo Santander Commitment Survey respondents believe that Santander provides the support employees need to develop their skills and meet their goals.

Our Objectives Performance Assessment (OPA) system allows us to identify strengths and weaknesses in areas such as leadership, personnel management, capacity for innovation, customer orientation, and obtaining results. The objectives are defined at the beginning of the year and evaluated every six months with this SMART methodology system. During 2016, 2,665 employees were assessed by the DPO representing 7% of all employees.

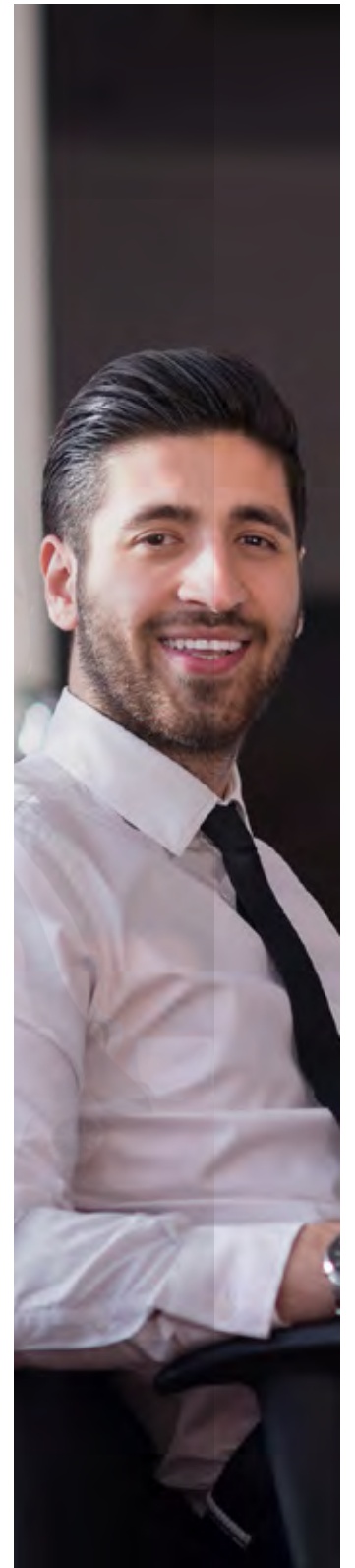
DPO Evaluation

Position	Men	Women
Directors	258	89
Deputy Directors	369	261
Managers	481	426
Administrative and Operational Staff	327	451
Total	1,435	1,227

The Group also uses the 360-degree assessment system to have the employee's bosses, peers, colleagues, and superiors provide a qualitative and holistic view of performance based on their skills and abilities within the organization, to help improve their overall performance. In 2016, a total of 78% of employees were evaluated with this methodology. Of this total, 53.4% were women, and 46.5% were men.

360° Evaluation

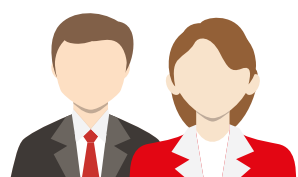
Position	Men	Women
Directors	452	142
Deputy Directors	952	637
Managers	2,058	1,881
Administrative and Operational Staff	2,685	4,389
Total	6,147	7,049





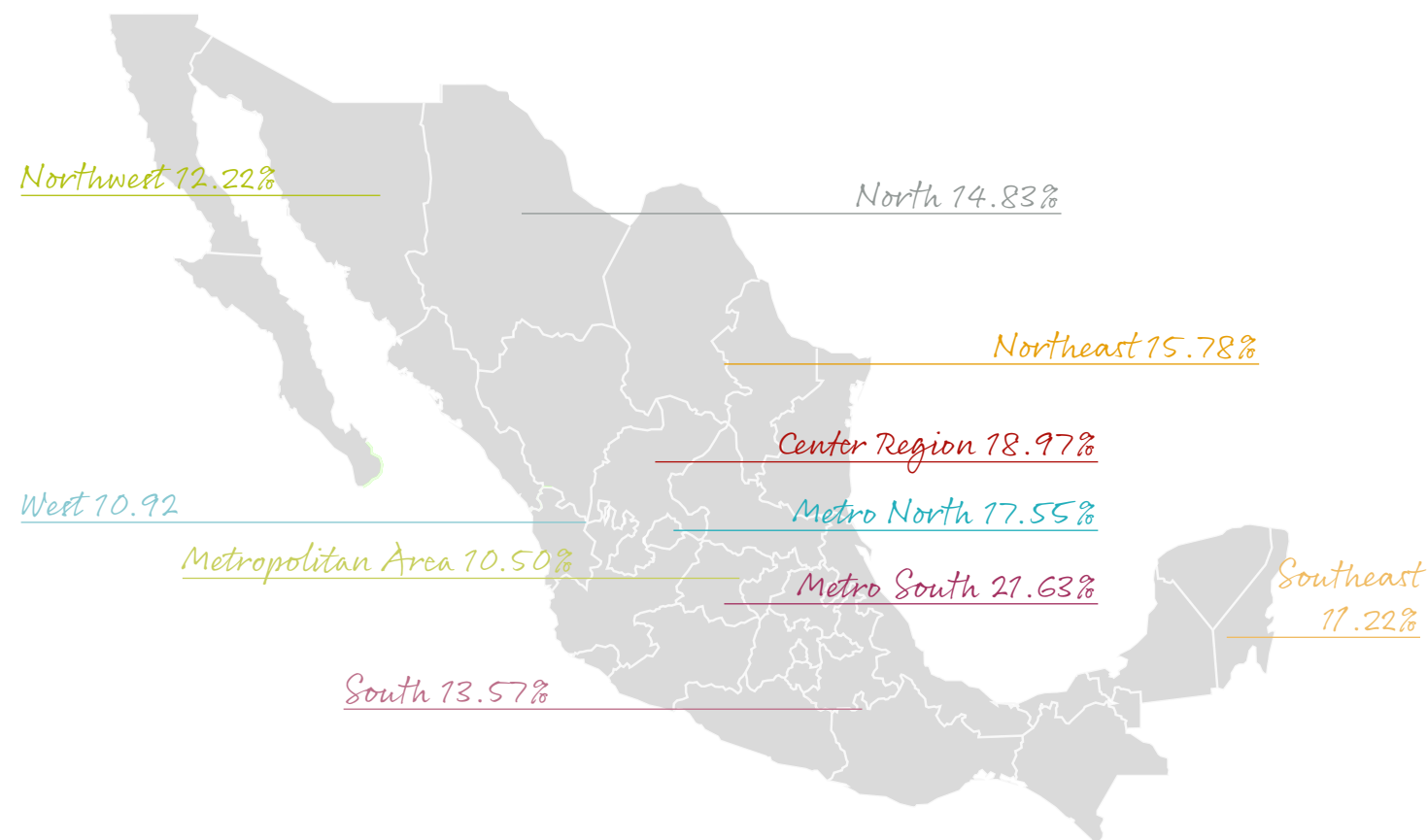
Talent retention is a matter we carefully analyze within our Group. The area with the highest turnover rates is the South Metro region, with a 21.63% total turnover rate equal to 1,529 employees. The Center Region with 3,460 employees—the largest number of staff in our system—has a lower turnover rate with 18.97%.

Women represent more than half of our workforce with 52.7% while men account for 47.3%. The female turnover rate stands at 14.40%, below the male rate that stands at 15.55%. Our employees under age 30 represent the group with the highest turnover rate of 19.34%, while employees over 50 years old represent the lowest turnover rate of 6.48%.



Turnover by region

Turnover Total 14.97%



Turnover by age

Age Group	2016	Turnover Rate
Under age 30	7,516	19.34%
Between ages 31-40	5,720	13.31%
Between ages 41-50	2,554	9.67%
Over 51	1,186	6.48%
Total	16,976	14.97%

Our employees under age 30 account for 44.29% of our total workforce. Employees ages 31-40 account for 33.69%; employees ages 41-50 account for 15.04%, while workers age 51 and older represent 6.98% of our staff.



Turnover by gender

Gender	2016	Turnover Rate
Men	8,018	15.55%
Women	8,958	14.40%
Total	16,976	14.97%



To emphasize our employees' talent development, Santander has special programs classroom and online courses to boost their leadership skills, as well as time management, negotiations, administration, and results-oriented competencies. This is how we continue to create value within the Group and increase the sustainability of our business for the long run.

Training Program	Employees trained in 2016	Investment 2016 (MXN)	Hours of Training
From Management to Leadership	24	MXN 190,315	1,872
Negotiation	51	MXN 110,271	816
Results Orientation	15	MXN 110,271	240
Project Management	38	MXN 430,223	1,184
Employee Management Skills Diploma	367	MXN 3,374,576	16,057
Team Management	32	MXN 170,131	512
Time Management	30	MXN 468,980	611
Comprehensive Talent Management	132	MXN 1,684,909	4,540
Leadership to Influence Teams	93	MXN 550,970	3,182
Personal Leadership	11	MXN 53,054	176

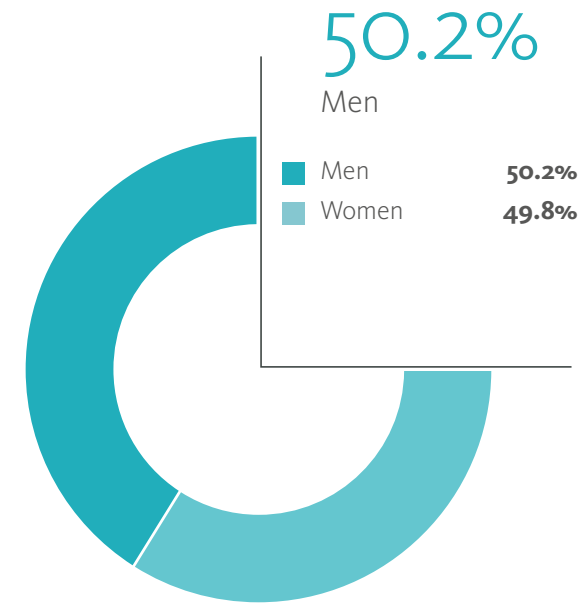


88%

of employees

consider that their work gives them the opportunity to carry out interesting and challenging activities (Compromiso Santander Group Survey 2016).

In 2016, a total of 2,482 employees were promoted as part of our effort to recognize productivity and their outstanding performance. Of this total, 50.2% were men, and 49.8% were women.



79% of the 2016 Grupo Santander Commitment Survey respondents believes that performance is commensurate to pay; that is, outstanding performance receives generous pay.

Health and Safety

[G4-LA5, G4-LA7, G4-LA8, G4-LA9]

While the Group's business does not represent a major health risk, at Santander we care about our employees' well-being. That is why we have formal committees that oversee the welfare of everyone working for the Bank.

Santander has ten committees to manage and anticipate issues related to the safety of all employees and the Group in general. These Corporate committees are Operating Incidents, Risk, ATMs, Property, Branch Expansion Plans, Marketing, Civil Protection, Health and Safety, and Crisis Management. External committees include Mexican Association of Banks and State Meetings.

Following is a list of the committees in charge of the Bank's safety and security issues:

1. Prevention, safety, and operational risks (21 members: 80% senior managers, 20% employees)

The committee identifies the operational and technological risks representing the highest impact, evaluating the cause and effect. It also determines specific mitigation and risk control strategies and those which by their nature can produce or might have generated losses, implementing measures for each department, based on their specialty.



The Committee also created interdisciplinary working groups to implement, control, and monitor actions aimed at mitigating fraud. Their activities also include monthly reviews of the status of the risks linked to the mitigation actions, recording any extraordinary event affecting the Bank to determine the corresponding Emerging Plans.

2. Operating incidents (53 members: 72% senior managers, 28% employees):

The Operational Issues Committee is responsible for presenting relevant cases concerning incidents and BEI and Individual and Private Banking for breach of policy, as well as penalties imposed on employees through the Human Resources Division to deal with the different types of incidents involving the Bank's employees.

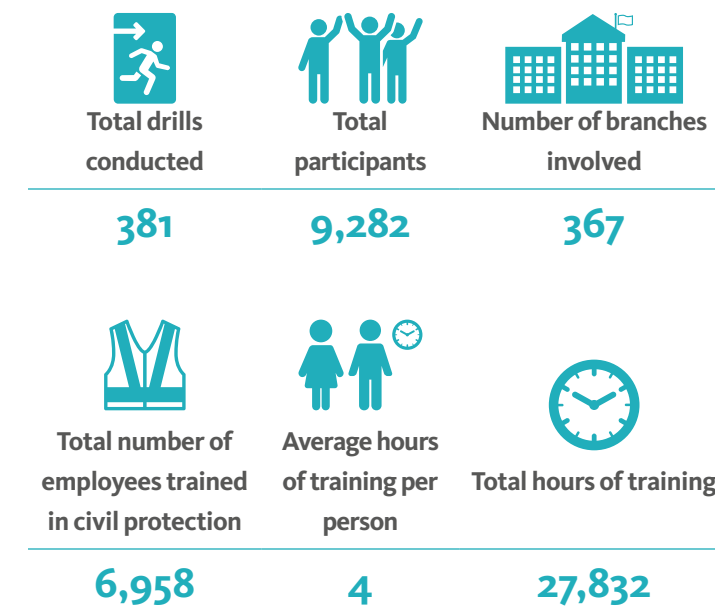
It also tracks and presents progress reports on ARCO (rectification, opposition access, cancel) rights based on the Protection of Information Act.

3. Crisis (Crisis Management Plan) (50 members: 70% senior managers, 30% employees):

The Crisis Committee is responsible for making joint decisions in crisis situations, using the Crisis Management Plan as a reference.

Santander uses these committees to advise and take action to provide essential tools that guarantee our employees' highest safety levels.

To ensure continuity of our employees* continuous training processes, we taught 27,832 hours of training in civil protection to 6,958 employees, for an average of four hours of training per employee. This represents a 40% increase in hours of training for our employees compared to last year.



At Santander, we have policies and procedures in place to prepare and manage crises that determine the establishment of different levels of care depending on the situation. Our Technical Task Force (TTF) evaluates crises and determines the need to activate the regional Operations Technical Groups or implement the Crisis Management Plan.

The first premise of our policies that define our security measures in branches and the Group's buildings is to protect people. Furthermore, in compliance with the rules of civil protection, we have plans outlining the activities that must be carried out before, during and after an emergency, to ensure the smart management of any crisis situations that may occur, with high precision levels to ensure the best results.

Health issues are managed by our Human Resources Division and do not have a formal committee made up of employees. Regarding health, in 2016 we conducted a vaccination campaign against the influenza virus vaccinating 952 employees to reduce our risk factors. We also organized the Health Fair designed to highlight the importance of maintaining healthy bodies with healthy habits and practices and early detection of diseases. A total of 800 employees attended the fair.

Detections spotted during Health Week provided advice and guidance to start an individual supervision program with the appropriate medical specialist. Along with this program, the Children's Health Fair served 258 children under age ten, in matters related to education and advice about healthy habits.

On the other hand, in 2016, a total of 121 Group executives had medical checkups, and 43 retirees received universal care. The purpose of this analysis is to control and monitor our health to detect any disease and be able to provide timely treatment.



In 2016, as part of our health and safety efforts, we conducted 381 fire drills with 9,282 participants; 2,400 more than in 2015.

In 2016, all (100%) of our security personnel received training on the organization's policies and procedures in the field of human rights relevant to operations.

BeHealthy Program

With a focus on the health of our employees, in 2016 we implemented the new comprehensive BeHealthy Program. The program was created to raise awareness among employees about the different aspects of holistic health. It also provides the tools and knowledge necessary for each employee to implement actions to help them reach a state of perfect health. Some of its primary objectives include:

- Greater balance between mind and body, including the employees' physical, mental and emotional well-being.
- Greater labor efficiency to be more focused and creative, with greater resistance to stress.
- More energy by overcoming fatigue and facing challenges with greater vitality.
- Being well with oneself and others improves our mood and our harmony with the environment, facilitating our job and social relations.
- Greater job satisfaction by increasing our levels of commitment.
- Vehicle to reinforce our corporate values.
- Increase the Santander value offer for its employees.
- Personal and group achievements include improving your health, reaching your optimal weight level, increasing your energy levels, learning to be calm in stressful situations, improving personal and labor-related decisions, and the ability to be happy.

The BeHealthy Program has four phases to ensure comprehensive wellness as a guide to help employees meet their goals:



Know yourself



Feed yourself



Get going



Balance your life

Health Brigades

The Health Brigades visit each employee's workspace to perform medical tests that help improve their lifestyles.

Health Risk Assessment (HRA) based on individual lifestyles

Confidentially assess each employee's health risks providing an individual report to help them start working on a healthy action plan.

BeHealthy Portal

Employees use the tools this portal offers to achieve and maintain healthy weight levels. The portal has food trackers, recipes, and healthy lunchboxes plus a 12-week healthy diet plan.



My Health and Wellness Journal

This booklet helps employees organize their lives to make lasting changes. They can personally record their progress, obstacles and goals on issues related to nutrition, exercise, poor habits, and being happier, in general.

Personalized Action Plans

Helps employees balance their physical and emotional health. Employees can log into the BeHealthy Portal to enroll in tailor-made plans to adopt healthy habits and reduce health risks.

Organizational Health Status Map



1,997



1,849

Demographics:

3,846

Total employees who completed the HRA.

Health perception



Clinical history

In general, do you have good or poor health?



The ten most common sufferings



The 10 least common sufferings

Significant risks

Are those that generally affect time more than health and costs. These risks can become very costly diseases



Alcohol

Do you presently drink alcohol?



Blood pressure

Levels



Tobacco

Do you smoke?



Blood sugar

Levels

Overweight and Obesity Levels:



Weight/BMI levels



Waist levels

Influential Risks:

Are those that occur over time and are likely to lead to harmful consequences and increase health care costs if ignored.



Cholesterol



Physical Activity

How many minutes a week do you spend doing moderate or vigorous physical activity?
(1 lowest, 5 highest level)



Stress

How would you rate your stress level?
(one lowest, five highest level)

Wages and Benefits

It is important for us to be able to offer benefits and services that guarantee health benefits, safety, education and recreation for our employees and their family members. Access to these benefits allows our partners to feel certain knowing that Santander will support them in the important moments of their lives.

Above those required by law	Year-end bonus equal to 40 days' wages, and 15-30 business days accrued vacation, based on seniority.
Insurance	<ul style="list-style-type: none"> • Basic life: fully covered by the institution at 100%. • Voluntary: life and spouse, mortgage, damage, consumer loans, auto, and death.
Comprehensive Medical Service	<ul style="list-style-type: none"> • Medical Network • Plan 17 (employees hired before August 2014) <ul style="list-style-type: none"> • Outpatient • Dental • Medications • Laboratory, X-ray, and cabinet services • ER • Hospital Services • Orthopedic appliances and prostheses • Plan 10 (employees hired after August 2014) <ul style="list-style-type: none"> • Social Security (IMSS) • Major Medical Expenses • Reimbursement plan • International major medical expenses • Annual senior management check-up
Loans	<ul style="list-style-type: none"> • Consumer (payroll, online, short term) and mortgage Based on seniority.



Additional

- Nursing
- Staff uniforms
- Sports club discounts
- Christmas bonus voucher
- Retirement savings fund
- Pension plan
- Performance bonus
- Expensive life subsidy
- Cafeteria services
- Transportation to Santa Fe headquarters
- Parking at Santa Fe headquarters
- Customer Aid
- House rent allowance
- School and college discounts

Leaves

Leave with and without pay upon becoming a biological father or by adoption, marriage, death of close relatives, daycare, and free afternoon off to celebrate their child's birthday.

In 2016, during the We Are Santander Week, we recognized 230 employees for the work they have done for the Group over time. 141 employees received recognition for 25 years' seniority, 41 received recognition for 30 years of service, and 48 employees received recognitions for 35 years working for the company.

Another 44 employees were recognized by the Santander Passion Program through which we gave out 57,528 gifts and held 13 lectures attended by 1,816 employees.





Santander Employee Ombudsman

The figure of the Santander Employee Ombudsman is an impartial, reliable, and independent entity responsible for addressing and resolving conflicts or situations that may affect our employees' labor rights.

This initiative is unique within the financial sector in Mexico and allows us to build trust among our employees, and ensure a healthy and fair working environment for all.

The Ombudsman's operation is straightforward; employees approach the Ombudsman by sending an email or making a phone call or making an appointment. These channels are confidential. The Ombudsman listens to their concerns, asks about the context of the case and requests evidence, if necessary. It also explains the method employees can use to tell the difference between a case and a consultation. If the employee decides that the matter should be treated as a query, the Ombudsman provides guidance in this regard. If the employee decides to treat it as a case, an investigation process begins with the relevant department to obtain the other side of the story and thus provide a solution to the employee.

Also in 2016, we updated the brochure used to provide information about the Ombudsman, which we distribute throughout all Divisions across the Bank. We disseminated general information about the Employee Ombudsman's role through articles and spots published in different internal media and ran a campaign to visit the Commercial Banking regional offices to disseminate information about the Ombudsman's results and initiatives.

It is important to note that the Employee Ombudsman serves as secretary of the Santander Way Committee was created in September 2016.

We have used the Ombudsman's assessments and recommendations to implement internal improvements. An example of this is respect for departure times from branches and the recommendation that the relevant departments review the incentive payment process for our Commercial Banking employees to avoid the unjustified withholding of bonuses, and making sure that information about the bonuses is conveyed to the employees in a timely and transparent manner.

These actions represent one more step in the progress made to permeate the Bank's corporate culture about simple, personal, and fair treatment. An example of this is the Employee Ombudsman's simple approach using straightforward and clear language to help employees obtain an objective perspective of the situation. It is personal by assessing and treating employees who contact the Ombudsman on an individual and close level, and fair by looking for the objective elements needed to resolve the issues.



Shareholders and Investors

Being sustainable means keeping open communication channels. We base our dialogue with shareholders and investors on transparent and continuous accountability methods, by implementing corporate governance best practices and consistently reviewing and updating our internal policies to comply with the applicable rules.

Santander is registered with the Securities and Exchange Commission (SEC), the New York Stock Exchange (NYSE), and the Mexican Stock Exchange (BMV), fully complying with the communication and transparency criteria demanded by each country's stock markets.

We have been listed on the Mexican Stock Exchange's Sustainability Index for three years in a row, thanks to our evident commitment to environmental and social matters, and our stakeholder relations and corporate governance practices.




In the first place, the information transmitted to our shareholders and investors is submitted to approval by the Disclosure Committee, whose policies were drawn up by the Corporate Practices Committee and are part of the Communications, Marketing, Compliance, and Legal Divisions, among others.

The Disclosure Committee is responsible for defining the type of information that must be disclosed to the markets and how it should be done. There is also a calendar of events, both for investors and shareholders, maintaining constant communication and participation with these stakeholders about the Group's relevant events.



In 2016, we received 311 cases and closed 318*. A total of 271 cases were resolved to favor the employee, representing 85.2% of the total cases resolved.

* The other 14.8% is related to cases from previous years.

Cases received	Cases closed	Favorable response to the employee
311	318	271
Case reception means		
 Telephone	 Email	 In person
191	104	16

Santander investors are all individuals or business corporations holding Group shares, and shareholders are all individuals who hold shares.

Once approved, the information is posted simultaneously on the Santander [investors](#) and [shareholders](#). In addition to the websites authorized by the Mexican Stock Exchange (Emisnet), the New York Stock Exchange (Edgar-Securities Exchange Commission), and the Mexican Banking and Securities Commission (STIV).

Email and regular mail, electronic newsletters, websites, and quarterly and annual financial reports, are some of the media available to our shareholders and investors, to see:

- The market and share prices.
- The Group's quarterly and annual results.
- News and exclusive promotions.
- General Shareholders' Meeting calls and agreements.
- Invitations to forums where we present the Group's results.
- Roadshows and lectures.

This year, the constant technological evolution and innovation inherent to our economic sector led to the creation of a new information highway, materialized through a mobile application called the BSMX IR app. We created the app to offer increased contact options to approach our shareholders and investors. We also redesigned the Investor Relations website to facilitate access to information and simplify the content*.



We created a new app

to bring our information and services to the Mexican financial market.

* The app and new RI website are available since early 2017

Shareholders

Shareholders exercise their right to vote in every Shareholders' Meeting, regardless of the number of shares they hold. In conformity with the applicable law, General Shareholder Meetings can be regular or special meetings, in addition to the annual shareholder meeting that must be held to approve the financial statements, the annual report on the company's ongoing operations, and the appointment or ratification of the Board members, among other matters.

Shareholders are informed of upcoming meetings at least 15 calendar days in advance. In order to guarantee shareholder attendance to the meeting, shareholders must receive a form to exercise their right to vote with the required documentation delivered with the call to the meeting. Calls to shareholder meetings are published in conformity with the rules outlined in the Business Corporations Publications portal and on the shareholders' website and sent to the contact base.

The decree to pay the Company's shareholder dividends is proposed and approved by the General Shareholders' Meeting, as appropriate, based on the financial results of previous years.

The following table shows the dividends the Company paid out in 2015 and 2016:

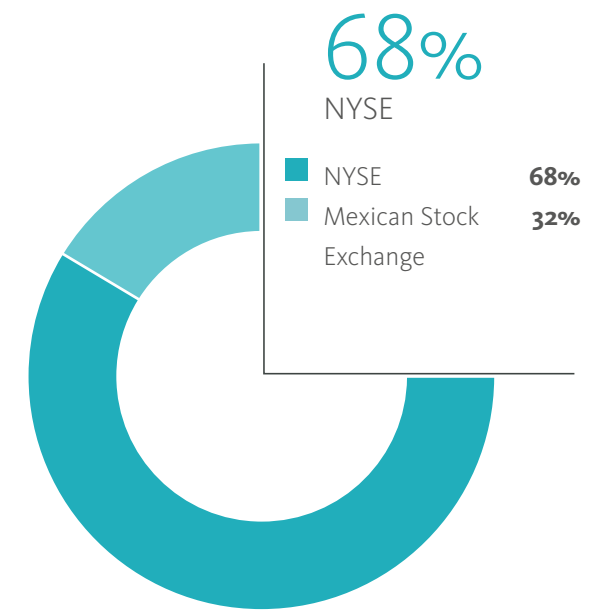
	May 2015	December 2015	May 2016
Total amount in millions of MXN	3,534	3,226	3,844
Per share	0.52	0.47	0.57

Series "B" and "F" shares comprise a total of 6,786,394,913 shares representing the Group's capital stock.

Series "B" consists of 1,623,491,117 shares owned by Banco Santander Spain and 1,698,594,651 public shares equivalent to 24.9% of the Group's share capital; 20.18% is listed in international markets, and the remaining 4.71% is listed in Mexico.

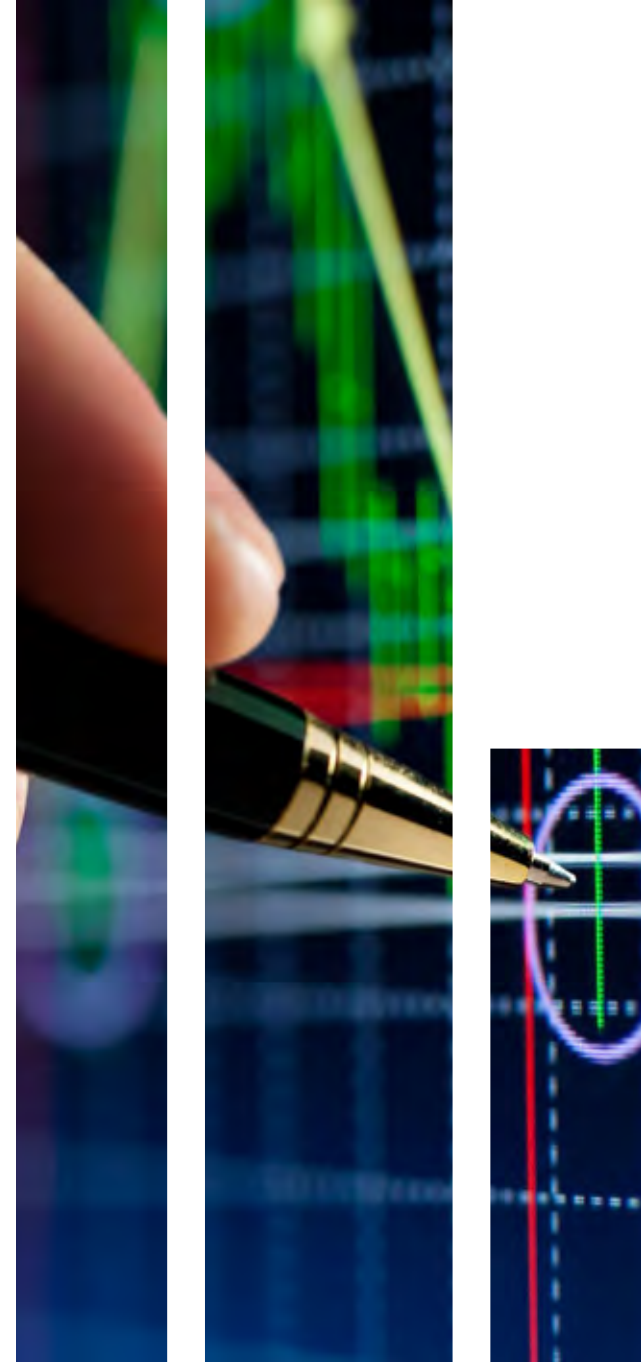


Santander Shareholders



In 2016, we ran a campaign directed to shareholders to raise money for the Trust for the Children of Mexico by attracting new donors or increasing the amount of funds raised for children.

Minority shareholder rights are protected by the bylaws and legislation applicable to the financial sector. All Grupo Santander shareholders are treated equally regardless of the percentage of votes or number of shares they hold to vote in a Shareholders' meeting.



Investors

To encourage active participation and provide greater coverage of investor services, we have various communication channels to provide a timely response to all requirements, through lectures, roadshows, and a variety of digital media.

Santander Mexico continues to actively participate in the Mexican Stock Exchange's Issuers Committee where participating companies express their opinions, needs, requirements and concerns regarding the market, its regulations, practices, and members. The purpose of the Committee is to review and discuss issues related to market participation and facilitate the participation of issuers in all regulatory activities, promotion, development, and dissemination aimed at strengthening the market.

In 2016, some of the initiatives or relevant issues discussed in the Committee meetings included:

1. The implementation of a Sustainability Guide under international standards.
2. Comments to the corporate code best practices.
3. Improvements in the regulatory framework to provide incentives for institutional investors to invest in primary offerings.
4. Measures to boost the stock market's power.
5. Discussions on the bill to reform the General Business Company Act and the Securities Market Act regarding competitiveness and gender equality.

Information provided to investors, analysts and the stock market in general, which is initially sent to regulators (CNBV, BMV, SEC, NYSE) and then simultaneously sent by email to all investors, analysts and all interested parties subscribed to the mailing list.



According to a third-party report, in 2016, SanMex paid dividends of MXN 2.574 per share, equivalent to a dividend yield of 8.51% per year. This positions us as the company with the highest yields among the companies listed on the Mexican Stock Exchange's Index of Prices and Quotations (IPC) by dividends paid.

Competitors

Being sustainable means seeking equilibrium. At Santander, we share the principle that the financial sector's development relies heavily on healthy competition and transparency in delivering results. That is why we strategically work together with the Banks of Mexico Association (ABM), the Mexican Central Bank (Banxico) and the Mexican Banking and Securities Commission (CNBV) to strengthen the practices and tools responsible for our continued performance.

Conferences, lectures, and meetings are organized to ensure the organic growth of all companies in the industry that are part of the guild, where you can share results and experiences that help the sector meet its goals.

The Mexican Banking and Securities Commission (CNBV) and global rules govern the activities and outline the ethical and competitive parameters that direct our actions in the stock market, and are also responsible for regulating our managers and employees' operations. Our Legal Division is responsible for handling all the requirements requested by this authority, thus guaranteeing the legality and ethics of our financial activity both in Mexico and abroad.



Suppliers

Being sustainable means looking for a mutual benefit. Ethics, transparency, and quality of services and/or products are the principles that guide us in the management of procurement processes and our supplier relations. We also seek to ensure a more rigorous vendor approval process to guarantee their commitment to our social and economic environment and make communication generate mutual trust and lasting relations.

We have a Corporate Social Responsibility Protocol attached to each Group contract, which conveys and gives certainty to acceptance of the Global Compact principles in the business relation. The protocol calls on the supplier to respect human rights, fight child labor, promote environmental responsibility and use technologies that favor the environment and fight corruption in matters influencing the business relationship established in each contract.



738

new contracts in 2016,
all under the Bank's Corporate Social
Responsibility Protocol.

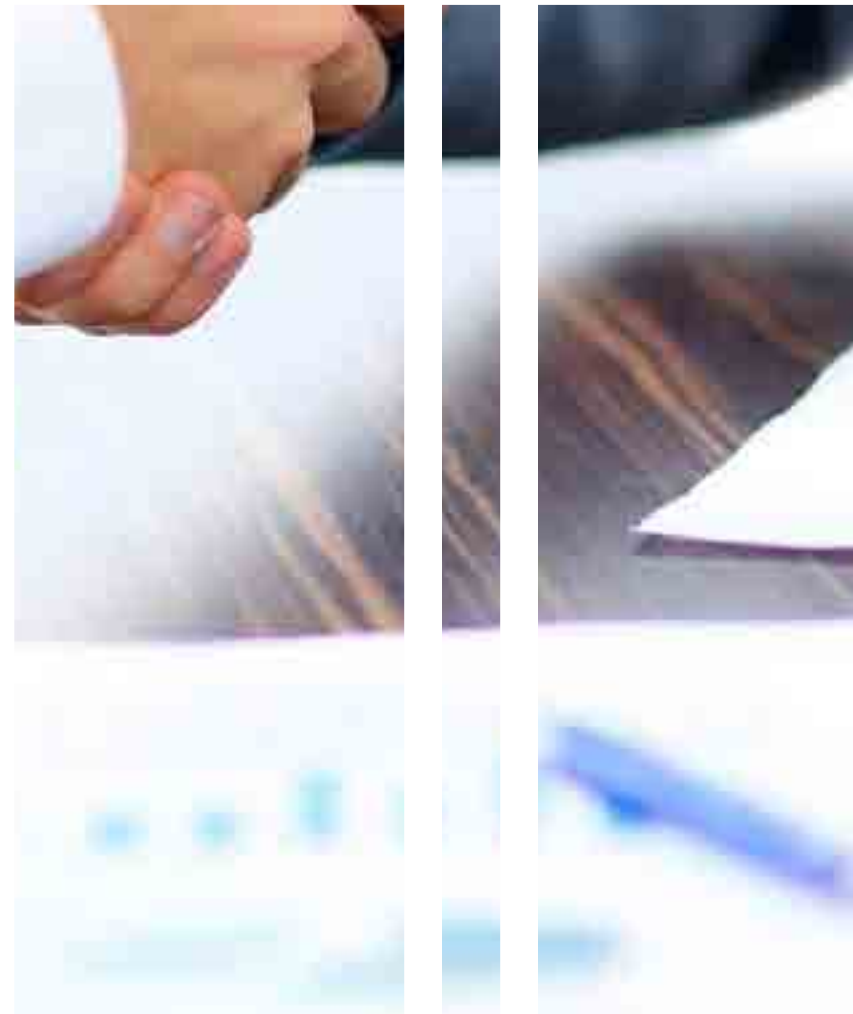
Equal treatment in the value chain is also a priority. Therefore, Aquanima, our centralized Department that approves all our suppliers, allows us to standardize processes and set guidelines and contract and assess supplier commitments to sustainability, and economic, human, ethical, and other principles. This alignment is regulated by our Corporate Vendor Selection Policy overseen by the Local Supplier Committee.

In keeping with its objective to identify the risks associated with outsourcing or services provided during the contractual relationship with suppliers, in 2016, the Group's Local Supplier Committee exercised its duties and responsibilities to:

1. Ensure the proper operation of our Corporate Third-Party Standard Contract and Supplier Control, both regarding decision-making processes and oversight and control.
2. Approve or reject outsourcing projects.
3. Oversee and regulate agreements with critical suppliers, standardize spending and critical assessment, direct contract awards, associated risks, and incident control models including factories and global vendors.
4. Request a periodic review of all supplier agreements.
5. Inform the Corporate Supplier Committee of important aspects that affect agreements, such as breach of SLAs, supplier controls, and global suppliers.



Among the most important supplier controls we have is the implementation of the validation process before the UPLD of Group suppliers.



The model establishes five key processes which are considered the core principles governing relations with Grupo Santander Mexico providers.

Monitoring and supervision

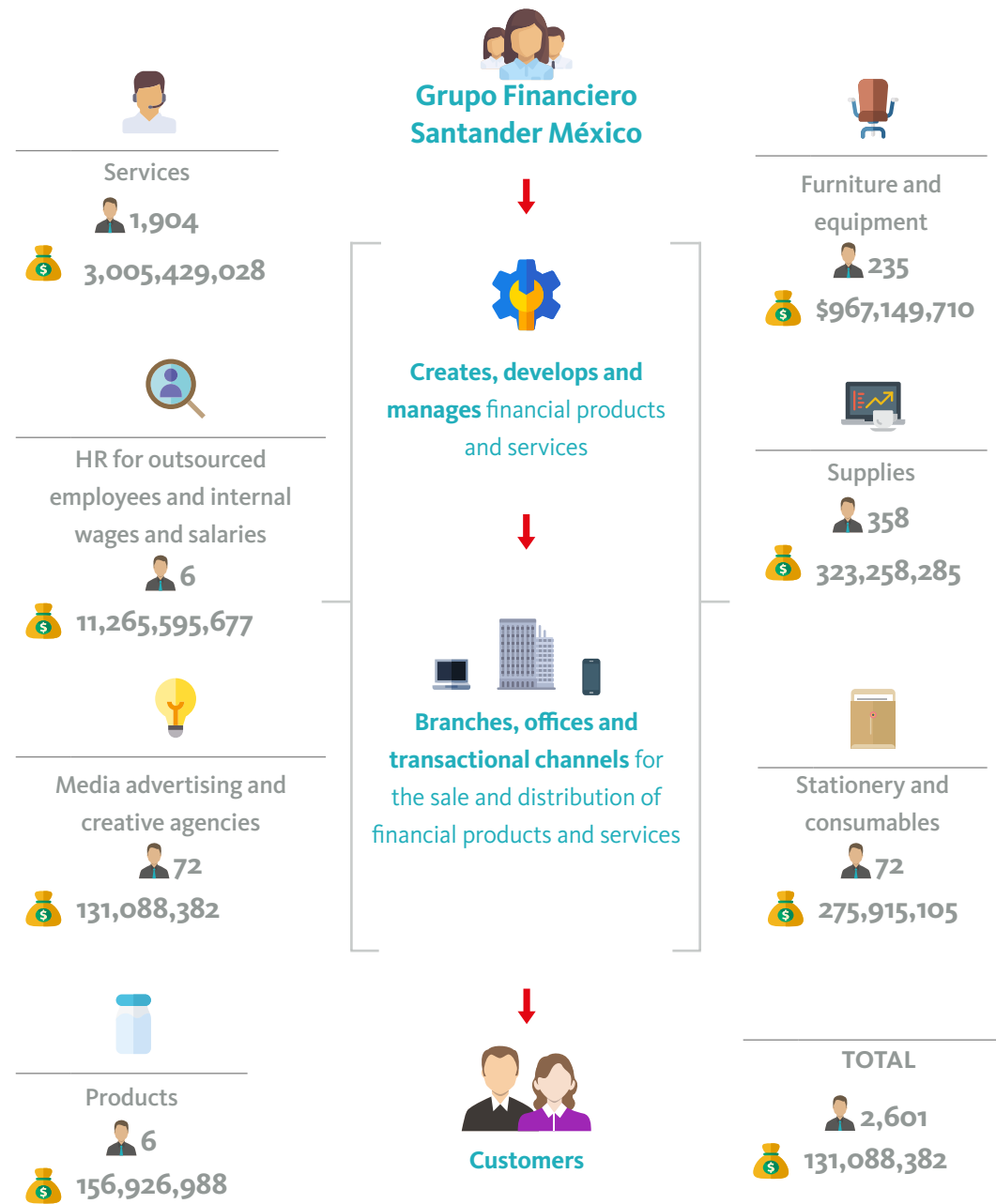


In 2016, we applied specialized questionnaires to identify risks among relevant service suppliers in the fields of Information and Technology, Physical Security, Properties, and Business Continuity. We focus on money laundering risks at the operational and reputational levels and, in general, those that may be incurred during the business relationship.

As a service company, our supply chain consists of suppliers who provide support with maintenance, security, communications, transportation, and technology or supply inputs such as energy, paper, water, and others.

[G4-12] The total cost of the products and services we purchase from third parties stands at MXN 16.125 million and is spread out across more than 2,575 companies. Our main expense item is centered on the cost of wages and salaries for our outsourced staff; that is, human resources providers who represent 69.8% of our total spending, followed by service providers, which account for 18.6% of spending, and 73.2% of the total number of suppliers.

Suppliers* [G4-EC9]



Suppliers Expenditure (MXN)

* (Under the iconography) A significant part of the Group's expenses is the payment of benefits and taxes that are not included in the above supply chain, which showed no materials changes in 2016. The graph only describes the products and services we obtain from external/third party suppliers for our operation, based on the production cycle. This graph does not include all the Group's suppliers in 2016 that totaled 3,959 vendors. [G4-13]

[G4- EC9]

In 2016, 95% of the procurement budget was distributed among domestic suppliers; that is, companies incorporated in Mexico, leaving only 5% of the budget for purchases abroad.

[G4-HR1 y G4-HR11]

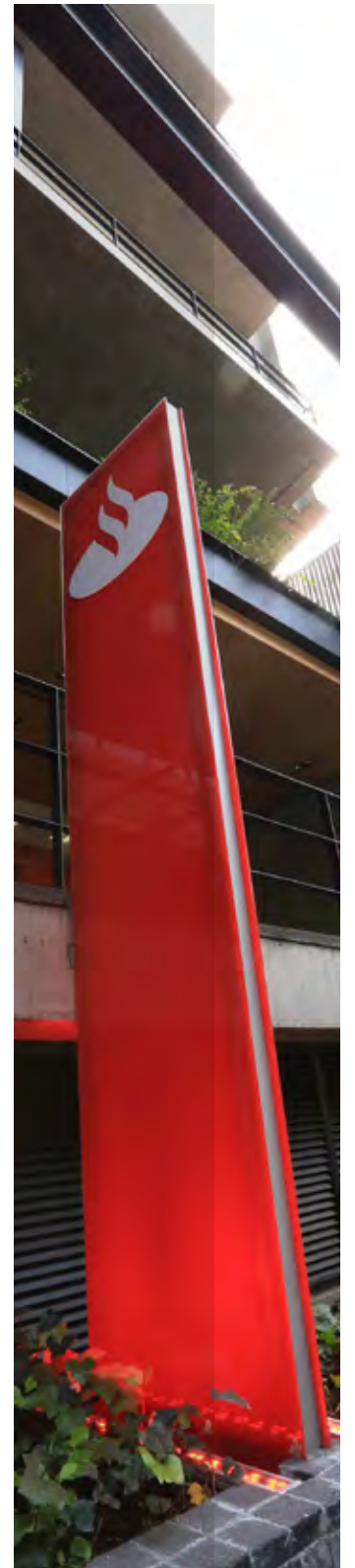
At year-end we executed 738 contracts, all including the Corporate Social Responsibility Protocol. It is important to note that no contract was rejected for breach of the protocol and we did not identify any breach of this clause that protects human rights, fair labor practices, environmental protection, and the fight against corruption within the sphere of influence.

Authorities

Being sustainable means maintaining constant communication and cooperating with the regulatory authorities responsible for establishing the rules and laws that guide economic and financial activity in Mexico and across the globe.

We have a highly-specialized team in the Legal Division that is responsible for all Government Services and monitors, reports, and answers the requests from national authorities such as National Commission for the Protection and Defense of Financial Services Users (CONDUSEF), the Ministry the Finance and Public Credit (SHCP), the Mexican Banking and Securities Commission (CNBV), the Ministry of Economy, and the Mexican Central Bank, supported by the Internal Control and Compliance Divisions.

This unit ensures that the business operation is consistent with regulations on the subject matter. It is also responsible for establishing the necessary controls to ensure proper compliance with legal statutes and reduce the institution's reputational risk and the imposition of administrative penalties. This is how we ensure the sustainability of our long-term business and reinforce our commitment to transparency with all stakeholders.



Awards and Recognitions

Santander is recognized for its sustainability programs both in Mexico and abroad. Following is a list of some of the awards and recognitions the Group received in 2016:

Awards and Recognitions 2016	From	Sustentabilidad			
		Financial	Social	Environmental	Ética y Gobierno Corporativo
Best Trade Finance Providers	Global Finance	✓			
Most Socially Responsible Bank in Mexico	International Finance Magazine (IFM)	✓	✓	✓	✓
“Santander Opportunities,” the Best Equity Fund in Mexico	Morningstar	✓			
Distinctive H	Ministry of Tourism and Ministry of Health	✓	✓	✓	
Best Trade Bank in México	Trade Finance	✓			
Recognition for donating more than MXN 100 million over 13 years	UNICEF		✓		
Corporate Social Responsibility	Mexican Center for Philanthropy (CEMEFI) and Alliance for Corporate Social Responsibility (AliaRSE)	✓	✓	✓	✓
World’s Best Bank for SMEs	Euromoney	✓			
Best Social Responsibility Practices Community Outreach	Mexican Center for Philanthropy		✓		
INROADS award	INROADS de México A.C.		✓		
Best Bank in Mexico	Global Finance	✓			
Environmental management certificate according to ISO 14001:2004 criteria	Spanish Association of Standardization and Certification (AENOR)			✓	
IPC Sustainability Index	Mexican Stock Exchange	✓	✓	✓	✓

Reporting process

[G4-17, G4-26, G4-27, G4-28, G4-29, G4-30, G4-31, G4-32, G4-33]

For the sixth year in a row, we adopted the Global Reporting Initiative (GRI) methodology to prepare our Annual Sustainability Report. This year we took into account the GRI 4.0 version, with its essential compliance option.

Grupo Financiero Santander, México S.A.B. de C.V. is a subsidiary of Banco Santander, S.A. (Spain), and is made up of two main companies: Casa de Bolsa Santander S.A de C.V. and Banco Santander (México) S.A. Institución de Banca Múltiple, a full-service banking institution. The entire Group's nature of ownership and legal form are described on page X.

All entities that make up the financial group in Mexico are included in this report and the financial statements. Therefore, all actions and material matters described herein comprise the most relevant achievements and challenges regarding the Group's sustainability in Mexico during the reporting year (January through December 2016). We prepare our sustainability reports on a yearly basis, and our last report was published in April 2016.

Grupo Santander changes auditors every five years. In 2016, we had an independent auditor verify our sustainability report by PwC. The auditor also validates the figures sent to Santander Spain for the corporate report and audits the Group's financial statements in Mexico.

For more information on this report or issues relating to the sustainability of Grupo Financiero Santander México, please contact us through the following means:

@ responsabilidadsocial@santander.com.mx

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

[G4-19, G4-20, G4-21, G4-22, G4-23]

Materiality [G4-18, G4-19, G4-20, G4-21, G4-22, G4-23]

The Materiality Assessment prepared in 2014, included 24 relevant reporting issues for Santander Mexico. In 2016, we developed and implemented a questionnaire to validate these aspects with several Bank stakeholders, including customers, employees, shareholders, suppliers, universities, and CSOs. The last four groups are classified under Other Stakeholders in the following table describing the total online surveys conducted:

Customers	253
Employees	713
Other Stakeholders	51

The key question that allowed us to validate the importance of priority issues according to our stakeholders were: What issues should Santander consider as relevant in its Sustainability and Social Responsibility Report? Their responses were divided into the four main lines of action established by the Santander sustainability model: Social, Environmental, Ethical (Corporate Governance) and Economic. These were the answers:

Social

	Total	Employees	Customers	Stakeholders
Financial inclusion and literacy	18.6%	17.6%	20.9%	21.0%
Human Rights	18.3%	18.0%	19.2%	18.0%
Employee Training	18.0%	19.3%	14.7%	15.0%
Health and Safety	17.5%	18.0%	16.2%	18.0%
Social Investment	14.4%	13.3%	16.3%	20.0%
Gender Equality	13.2%	13.8%	12.6%	9.0%

Environmental

	Total	Employees	Customers	Stakeholders
Energy use and savings	25.0%	24.9%	23.9%	24.0%
Water use and savings	24.0%	24.4%	22.4%	25.0%
Paper use and savings	21.0%	21.8%	21.1%	19.0%
Waste treatment	11.0%	10.2%	13.9%	12.0%
Greenhouse gas emissions	10.0%	8.8%	13.0%	12.0%
Transportation	9.0%	9.9%	5.8%	8.0%

Ethical

	Total	Employees	Customers	Stakeholders
Personal information protection	20.0%	19.2%	24.9%	17.0%
Anti-money laundering and tools to fight corruption	19.0%	19.6%	19.5%	18.0%
Transparent and honest sales practices	18.0%	17.7%	18.4%	17.0%
Risk management	16.0%	17.7%	12.5%	15.0%
Impact of loans on society and the environment	15.0%	14.4%	17.6%	18.0%
Corporate Governance	11.0%	11.4%	7.1%	14.0%

Financial

	Total	Employees	Customers	Stakeholders
Customer satisfaction	27.0%	26.6%	27.1%	25.0%
Technology, innovation and product development	19.0%	19.6%	17.9%	18.0%
Job creation	17.0%	16.4%	18.0%	18.0%
The Group's economic and financial performance	15.0%	15.5%	13.3%	15.0%
Access to the Group's products and services	15.0%	15.8%	13.7%	11.0%
Supplier development and respect	7.0%	6.0%	10.0%	13.0%

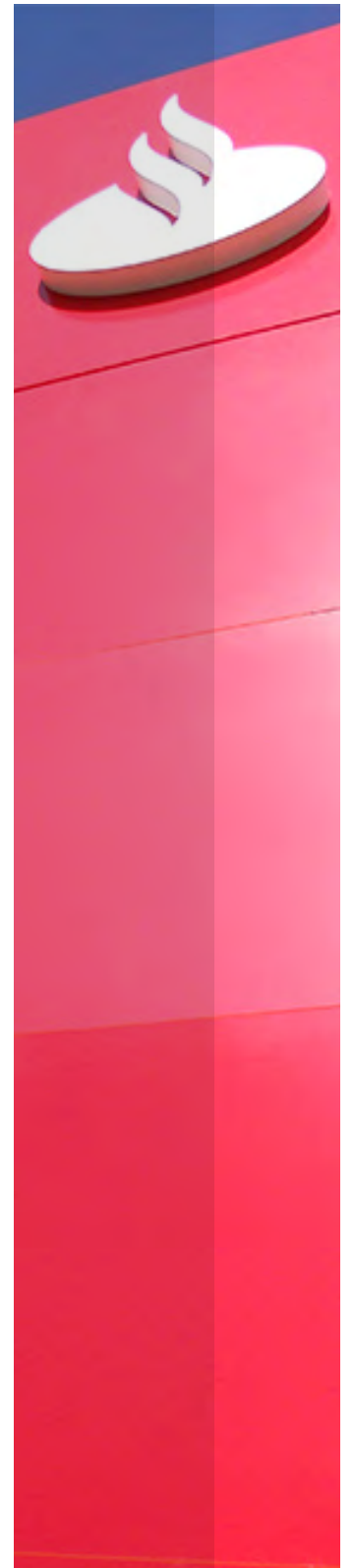
[G4-19, G4-20, G4-21, G4-22, G4-23]

	Material issues	Indicators
1	Technology, innovation, and product development	FS15
2	Customer Satisfaction	G4-PR5
3	Business Ethics	G4-57
		G4-58
		G4-56
		G4-51
4	Corporate Governance	G4-40
		G4-35
		G4-38
		G4-39
5	Risk Management	G4-45
		G4-46
		G4-47
		G4-2
6	Personal Information Protection	G4-PR8
7	Impact of loans on society and the environment	FS1
		FS2
8	Transparent and honest sales practices	FS3
		G4-PR3
9	Supplier development and respect	G4-EC9
		G4-HR11
		G4-LA9
10	Staff Training	G4-LA10
		G4-LA11
		G4-LA12
11	Social Investment	G4-HR1

[G4-19, G4-20, G4-21, G4-22, G4-23]

	Material issues	Indicators
12	Human Rights	G4-HR2
		G4-SO3
13	Anti-money laundering and tools to fight corruption	G4-SO4
		G4-SO5
14	Gender Equality	G4-EC6
15	Occupational Health and Safety	G4-LA5
		G4-LA7
16	Job Creation	G4-LA1
17	Water Use and Savings	G4-EN8
18	Paper Use and Savings	G4-EN1
19	Energy Use and Savings	G4-EN3
		G4-EN15
20	Greenhouse Gas Emissions	G4-EN16
		G4-EN17
21	Waste Treatment	G4-EN23
22	Transportation	G4-EN30
23	The Group's Financial and Economic Performance	G4-EC1
24	Financial Inclusion and Literacy	FS13
		FS16
25	Access to the Group's Products and Services	FS14

These issues were presented to the Deputy Director of Corporate Affairs for validation and approval. Coverage of each of these matters is internal and external because the issues were initially the result of the internal 2014 Materiality Assessment which was prioritized by stakeholders.



GRI Content Index



General basic contents

	Page	Omissions	External verification
<i>Strategy and Analysis</i>			
G4-1	39 to 41 7 to 15 (Spain section)		Yes - Pages. 177 - 179
G4-2	39 to 41 7 to 15 (Spain section)		Yes - Pages. 177 - 179
<i>Organization Profile</i>			
G4-3	34		Yes Pages. 176-178
G4-4	34-37		Yes - Pages. 177 - 179
G4-5	Linings		Yes - Pages. 177 - 179
G4-6	For more information, please see the Santander Mexico Annual Report at: http://www.santander.com.mx/ir/informacion-anual/		Yes - Pages. 177 - 179
G4-7	34		Yes - Pages. 177 - 179
G4-8	32-34 For more information, please see the Santander Mexico Annual Report at: http://www.santander.com.mx/ir/informacion-anual/		Yes - Pages. 177 - 179
G4-9	32-34		Yes - Pages. 177 - 179
G4-10	32, 132-133		Yes - Pages. 177 - 179
G4-11	133		Yes - Pages. 177 - 179
G4-12	158		Yes - Pages. 177 - 179
G4-13	34 and 158		Yes - Pages. 177 - 179
G4-14	109		Yes - Pages. 177 - 179
G4-15	47		Yes - Pages. 177 - 179
G4-16	71		Yes - Pages. 177 - 179
<i>Material Aspects and Coverage</i>			

	Page	Omissions	External verification
G4-17	163		Yes - Pages. 177 - 179
G4-18	164		Yes - Pages. 177 - 179
G4-19	164-167		Yes - Pages. 177 - 179
G4-20	164-167		Yes - Pages. 177 - 179
G4-21	164-167		Yes - Pages. 177 - 179
G4-22	164-167	The G4-EN22 and G4-EN10 indicators are not included, as in the 2014 report, because of water reuse and disposal issues that were not material in the relevant stakeholder groups survey.	Yes - Pages. 177 - 179
G4-23	164-167		Yes - Pages. 177 - 179
<i>Stakeholder Participation</i>			
G4-24	49-52		Yes - Pages. 177 - 179
G4-25	49-52		Yes - Pages. 177 - 179
G4-26	49-52, 163		Yes - Pages. 177 - 179
G4-27	49-52, 163		Yes - Pages. 177 - 179
<i>Reporting Profile</i>			
G4-28	163		Yes - Pages. 177 - 179
G4-29	163		Yes - Pages. 177 - 179
G4-30	163		Yes - Pages. 177 - 179
G4-31	163		Yes - Pages. 177 - 179
G4-32	163		Yes - Pages. 177 - 179
G4-33	163		Yes - Pages. 177 - 179
<i>Government</i>			
G4-34	56, 66-70		Yes - Pages. 177 - 179

Specific basic contents

Material Aspects	Management Approach (Page - Link)	Omissions	External verification
<i>Government</i>			
Government structure and composition			
G4-35	56, 66-70		Yes - Pages. 177 - 179
G4-38	54, 56, 66-70		Yes - Pages. 177 - 179
G4-39	59		Yes - Pages. 177 - 179
G4-40	64		Yes - Pages. 177 - 179
Functions of the Group's highest government body involved in risk management			
G4-45	66-70, 74-76		Yes - Pages. 177 - 179
G4-46	66-70, 74-76		Yes - Pages. 177 - 179
G4-47	66-67		Yes - Pages. 177 - 179
Compensation and incentives			
G4-51	66		Yes - Pages. 177 - 179
Ethics and Integrity			
G4-56	72		Yes - Pages. 177 - 179
G4-57	48		Yes - Pages. 177 - 179
G4-58	72-73		Yes - Pages. 177 - 179
<i>Category: Economy</i>			
Aspect: Financial performance			
G4-EC1	43 For more information, please see the Santander Mexico Annual Report at: http://www.santander.com.mx/ir/informacion-anual/	No operative expenses, salaries or benefits are reported for confidentiality reasons.	Yes - Pages. 177 - 179
G4-EC6	133 a. Senior Management: Directors. b. Local impact on the operation nationwide. c. Places with significant operations - Mexico.		Yes - Pages. 177 - 179
Aspect: Procurement Practices			
G4-EC9	158-159 a. Senior Management: Directors. b. Local: Impact on the operation nationwide. c. Places with significant operations: Mexico.		Yes - Pages. 177 - 179

Material Aspects	Management Approach (Page - Link)	Omissions	External verification
<i>Category: Environment</i>			
Aspect: Materials			
G4-EN1	105		Yes - Pages. 177 - 179
Aspect: Energy			
G4-EN3	44, 104-105, 107		Yes - Pages. 177 - 179
Aspect: Water			
G4-EN8	44, 106		Yes - Pages. 177 - 179
Aspect: Emissions			
G4-EN15	44, 108		Yes - Pages. 177 - 179
G4-EN16	44, 108		Yes - Pages. 177 - 179
G4-EN17	44, 108		Yes - Pages. 177 - 179
Aspect: Effluents and waste			
G4-EN23	106		Yes - Pages. 177 - 179
Aspect: Transportation			
G4-EN30	108-109 The guidelines used to determine the environmental impacts caused by personnel transportation activities are directed to the environment management system established by the parent company in Spain.		Yes - Pages. 177 - 179
<i>Category: Social Performance</i>			
<i>Subcategory: Labor practices and decent work</i>			
Aspect: Jobs			
G4-LA1	133, 138-143		Yes - Pages. 177 - 179
Aspect: Health and Safety at work			
G4-LA5	143-147		Yes - Pages. 176 -178
G4-LA7	143		Yes - Pages. 177 - 179
Aspect: Training and education			
G4-LA9	136-138		Yes - Pages. 177 - 179
G4-LA10	138-142		Yes - Pages. 177 - 179
G4-LA11	143-147		Yes - Pages. 177 - 179



Material Aspects	Management Approach (Page - Link)	Omissions	External verification
G4-LA12	57-58, 138-142	Minorities or other diversity indicators are not included because we do not have a breakdown of this information	Yes - Pages. 177 - 179
<i>Subcategory: Human Rights</i>			
Aspect: Investment			
G4-HR1	159 a. Senior Management: Directors. b. Local impact on the operation nationwide. c. Places with significant operations - Mexico.		Yes - Pages. 177 - 179
G4-HR2	73, 134-135		Yes - Pages. 177 - 179
Aspect: Supplier Human Rights Assessment			
G4-HR11	159		Yes - Pages. 177 - 179
Aspect: Local Communities			
G4-SO3	78	Corruption-related risks resulting from evaluations for reasons of confidentiality are not reported.	Yes - Pages. 177 - 179
G4-SO4	78	There is no breakdown by region and job category related to the anti-corruption course, however, 100% of the collaborators complied with this course..In the case of the members of the Administrative Council, their training in the Code of Ethics includes issues related to the fight against corruption, however, they do not receive formal training in this subject as employees.	Yes - Pages. 177 - 179
G4-SO5	78		Yes - Pages. 177 - 179
Aspect: Labeling of Products and Services			
G4-PR3	118		Yes - Pages. 177 - 179
G4-PR5	114, 124-125	The survey results are not provided due to the confidential nature of the information	Yes - Pages. 177 - 179
G4-PR8	79		Yes - Pages. 177 - 179
<i>Financial Supplement</i>			
Impact of the product or service			
FS1	119-121		Yes - Pages. 177 - 179
FS2	119-121		Yes - Pages. 177 - 179



Material Aspects	Management Approach (Page - Link)	Omissions	External verification
FS3	119-121		Yes - Pages. 177 - 179
<i>Society Performance Indicators</i>			
Aspect: Local Communities			
FS13	126-127		
FS14	126-127		
<i>Responsibility Performance Indicators of Products</i>			
FS15	47, 118		Yes - Pages. 177 - 179
FS16	129-130		Yes - Pages. 177 - 179

Santander Mexico and its Commitment to the UN Global Compact

According to our commitment to the Global Compact principles, we are developing and implementing actions that will allow us to contribute to the successful implementation of the United Nation's Sustainable Development Goals for the welfare of the nations.

Following is a detailed overview of how we are helping meet these goals in Mexico.

Goal	Santander Mexico Focus	2016 Actions
	At Santander, we aim to ensure that everyone, particularly children, has access to sufficient and nutritious food.	<p>Volunteers</p> <ul style="list-style-type: none"> In 2016, we donated 2.8 tons of food through our volunteer programs. We also gave 1,554 nutrition bars and 1,000 milk products to organizations and children through the Santander Children's Trust We supplied 100 breakfasts per week over the course of one year to non-profit organization Casa Hogar y Futuro A.C. <p>Trust for the Children of Mexico</p> <ul style="list-style-type: none"> 3,402 children benefitted from the Trust's nutritional programs.
	Part of our commitment is to ensure the health and well-being of our employees and the communities we serve.	<p>Trust for the Children of Mexico</p> <ul style="list-style-type: none"> 6,981 children benefitted from the Trust's health programs. We supported 130 liver, heart, and fetal surgeries. 2,137 children received emotional health services. <p>Be Healthy Program</p> <ul style="list-style-type: none"> This educational program informs our employees of the different aspects related to a healthy lifestyle while providing the tools and knowledge employees need to change their habits for better health. 952 employees received influenza vaccines. 258 children under ten, participated in the children's health fair. 43 retirees received medical care.

Goal	Santander Mexico Focus	2016 Actions
	We understand that a quality education is a basis for improving people's lives, which is why our investment in education programs is the cornerstone of our sustainability strategy.	<p>Santander Universities:</p> <ul style="list-style-type: none"> Santander gave 4,495 scholarships to students at 158 universities nationwide. The 11th edition of the Santander Business Innovation Award (PSIE). <ul style="list-style-type: none"> 5,572 college students from 158 universities across the country submitted 1,066 business projects. 291,320 new students received Intelligent University Cards (TUI). 205 educational agreements that serve as bridges between national and international institutions. <p>Universia:</p> <ul style="list-style-type: none"> The most import network of universities in Latin America connects 1,345 university partners in 23 countries, representing 18.3 million students and professors. 268 job portals where we have posted 87,964 job offers. <p>The Universia Development Center (CDU) offered two management training seminars.</p> <p>Sustainable Partners:</p> <ul style="list-style-type: none"> Scholarships: MXN 17,174,905 invested in 3,407 grant recipients. UNICEF: MXN 2,678,910 invested in the well-being and education of 7,350 children across Mexico. <p>Trust for the Children of Mexico:</p> <ul style="list-style-type: none"> 15,080 children benefitted from the educational support program.
	At Santander, we believe that gender equality is not just a fundamental human right, but the foundation of a prosperous, sustainable society.	<p>Human Capital:</p> <ul style="list-style-type: none"> Women represent 52.7% of our workforce. 2,951 new internal hires, of which 49.2% are female 1,739 new external hires, of which 56.5% are female 142 training hours in gender equality 2,482 promotions this year, of which 49.8% were for women. <p>Women's SME Program:</p> <ul style="list-style-type: none"> In 2016, we gave 617 loans to female entrepreneurs so that they could begin or expand their businesses. <p>Women's Health Insurance:</p> <ul style="list-style-type: none"> For every Women's Health Insurance policy purchased, Santander donated MXN 50 to the Mark Foundation to build, equip and operate a game room for low-income women and cancer patients ages 2 to 18, set to open in 2017.

Goal	Santander Mexico Focus	2016 Actions
	At Santander, we are creating the conditions necessary to make sure people find high-quality jobs, stimulating economic growth without damaging the environment.	<p>Labor Conditions:</p> <ul style="list-style-type: none"> Loans beyond those required by law Equal and Flexiworking Policy MXN 129,685,091 invested in training 99% of employees received 1,039,541 hours of training 381 fire drills with 9,282 participants Three health and safety committees: <ul style="list-style-type: none"> Prevention, safety, and operational risk Operational incidents Crisis <p>We encourage the economic development of individuals and businesses with a full offering of financial product and services.</p>
	In addition to generating economic development through our commercial activity, we work to reduce poverty and include marginalized sectors in the financial system.	<p>Correspondent banks:</p> <ul style="list-style-type: none"> We offer 19,113 transaction points in a joint effort with OXXO, Telecomm, and 7-Eleven, strengthening financial inclusion for low-income users. <p>Sustainable Partners:</p> <ul style="list-style-type: none"> Provivah: MXN 2,545,955 invested in 300 homes delivered to benefit 1,500 people.
	For Santander, responsible consumption means involving consumers through awareness and education campaigns providing the proper information through rules and labels.	<ul style="list-style-type: none"> Santander Mexico is a regulated company that respects external free and fair competition rules, and an active member of the Mexican Bank Association. We have a regulatory framework for product and service approval and monitoring processes in place, established by our Local Marketing Committee (CLC), the entity responsible for managing Santander's product and service marketing. Our marketing activity is subject to current financial legislation and legal provisions established by National Commission to Protect and Defend Financial Service Users (CONDUSEF), the Central Bank of Mexico (BANXICO), and the National Banking and Securities Commission (CNBV).
	At Santander, we have strategies in place to reduce our impact on the environment, ranging from everything involved in our operations through our loans, in pursuit of viable solutions to generate a more sustainable and environmentally-friendly economy.	<p>Suppliers:</p> <ul style="list-style-type: none"> All 2016 vendor contracts contain a social and environmental responsibility clause. <p>Operations:</p> <ul style="list-style-type: none"> The Group reduced its total paper consumption by more than 40% Generated 45% less waste 46% of our infrastructure gets its energy from efficient co-generation processes The Group reduced its emissions 1.5% compared to 2015 levels. <p>Customers:</p> <ul style="list-style-type: none"> Loans over USD 10 million must comply with the Equator Principles.

External Verification



This assurance was carried out based on the Spanish version of the Sustainability Report. This is a translation from the original in Spanish, in the event of a discrepancy in this version, the Spanish language version prevails.

Independent practitioner's limited assurance report on the Identified Sustainability Information of Grupo Financiero Santander México S. A. B. de C. V. Sustainability Report

To the management of Grupo Financiero Santander México, S. A. B. de C. V.

We have undertaken a limited assurance engagement in respect of the selected sustainability indicators listed below and identified within the "GRI G4 Content Index" of the section "Guidelines for the preparation of the report" related to the 2016 Sustainability Report (hereinafter, "the identified sustainability indicators") which were prepared by Grupo Financiero Santander México S.A. de C.V. (herein after Banco Santander) in accordance with the general and specific content proposed in the "Guidelines for the Preparation of Sustainability Reports" of the Global Reporting Initiative (GRI) G4 version and its Financial Services Supplement.

Identified sustainability indicators subject to limited assurance

The indicators subject to limited assurance on compliance with the guidelines established in GRI G4 are the following:

G4-1	G4-10	G4-19	G4-28	G4-39	G4-39	G4-PR3	G4-EN23	G4-HR1	FS1
G4-2	G4-11	G4-20	G4-29	G4-40	G4-40	G4-PR5	G4-EN30	G4-HR2	FS2
G4-3	G4-12	G4-21	G4-30	G4-45	G4-45	G4-PR8	G4-LA1	G4-HR11	FS3
G4-4	G4-13	G4-22	G4-31	G4-46	G4-46	G4-EN1	G4-LA5	G4-SO3	FS15
G4-5	G4-14	G4-23	G4-32	G4-47	G4-47	G4-EN3	G4-LA7	G4-SO4	FS16
G4-6	G4-15	G4-24	G4-33	G4-51	G4-51	G4-EN8	G4-LA9	G4-SO5	
G4-7	G4-16	G4-25	G4-34	G4-56	G4-56	G4-EN15	G4-LA10	G4-EC1	
G4-8	G4-17	G4-26	G4-35	G4-57	G4-57	G4-EN16	G4-LA11	G4-EC6	
G4-9	G4-18	G4-27	G4-38	G4-58	G4-58	G4-EN17	G4-LA12	G4-EC9	

Our limited assurance procedures were carried out with respect to the specific information related to such indicators included in the sustainability report for the year ended 31 December 2016, and we have not performed any procedures with respect to earlier periods or any other elements included in the 2016 sustainability report and, therefore, do not express any opinion thereon.

Criteria

The criteria used by Banco Santander to prepare the sustainability indicators corresponds to that stated in the Global Reporting Initiative (GRI) G4 and its Financial Services Supplement, as mentioned in the GRI G4 Content Index of the 2016 Sustainability Report (hereinafter "the Criteria").

PricewaterhouseCoopers, S. C. Mariano Escobedo 573, Colonia Rincón del Bosque, C. P. 11580, Ciudad de México T: (55) 5263 6000, www.pwc.com/mx



Banco Santander's Responsibility on the Sustainability Indicators

Management of Banco Santander is responsible for the preparation, contents and presentation of the 2016 Sustainability Report in accordance with the exhaustive option of the G4 GRI Guidelines and its Financial Services Supplement. This responsibility includes the design, implementation and maintenance of relevant internal controls in order for the indicators to be free of material misstatement due to fraud or error.

Management of Banco Santander is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the indicators is obtained.

Inherent limitations

The absence of a common generally accepted practice for evaluation and measurement of nonfinancial information allows for acceptable practices and measurement techniques that and can be different to others and can affect comparability between entities.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the identified sustainability indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the identified sustainability indicators are free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of Banco Santander's use of the criteria as the basis for the preparation of the identified sustainability indicators, assessing the risks of material misstatement of the identified sustainability indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and



evaluating the overall presentation of the identified sustainability indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing these procedures we:

- Made inquiries of the persons responsible for the identified sustainability indicators;
- Understood the process for collecting and reporting the identified sustainability indicators.
- Performed limited substantive testing on a selective basis of the identified sustainability indicators at corporate head office to check that data had been appropriately measured, recorded, consolidated and reported; and
- Considered the disclosure and presentation of the identified sustainability indicators.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Banco Santander's identified sustainability indicators has been prepared, in all material respects, in accordance with the Criteria.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Grupo Financiero Santander México, S. A. B. de C. V. identified sustainability indicators for the year ended December 31, 2016 is not prepared, in all material respects, in accordance with the criteria.

Use and distribution restriction

This report, including the conclusion, has been prepared solely for the management of Grupo Financiero Santander México, S. A. B. de C. V., to assist them in their reporting of sustainable performance and activities. We allow the inclusion of this report within the 2016 Sustainability Report. We do not assume any responsibility to third parties other than the management of Banco Santander.

PricewaterhouseCoopers, S. C.

C. P. C. José Ignacio Toussaint Purrón
Mexico city
April 28, 2017



Grupo Financiero Santander México

Corporativo Avenida Prolongación Paseo de la Reforma 500
Colonia Lomas de Santa Fe, Delegación Álvaro Obregón
C.P. 01219 Ciudad de México
Tel. +(52) 55-5257-8000

