

SANTANDER GROUP TAX STRATEGY

The tax strategy of Banco Santander, S.A. and its subsidiaries needs to be aligned with its business strategy. For this reason, the principles which govern the conduct of Banco Santander and its subsidiaries in tax matters should be coherent with the Group's purpose of helping people and businesses prosper, and with its aim of becoming the best retail and commercial bank, earning the trust and loyalty of its people, customers, shareholders and communities.

The Santander Group accepts its responsibility with regard to its not only people, customers and shareholders, but with the communities and understands that its profits should revert to the latter, in such a way that the value it creates must benefit everyone. The Group's tax contribution and the prominent role played by its companies providing support in the management of their national tax systems are very important factors within the framework of sustainable and responsible banking to which the Group is committed.

In this way, the principles governing Santander Group's tax strategy must enable not only its strict compliance with existing regulations, but also a contribution in accordance with the value created in each jurisdiction. It should therefore take into account the international tax standards drawn up by the OECD and especially the different actions included in the BEPS project (Base Erosion and Profit Shifting), whose objective is to avoid taxable income erosion and shifting profits resulting from undesirable gaps and mechanisms in the different national tax systems.

The alignment of the tax strategy with the mission, vision and values of the Group's general strategy entails zero tolerance with regard to the unlawful avoidance of taxes. With regard to the interpretation and application of current regulations, the Group adopts a low tax risk profile without waiving the right to adopt the most efficient alternatives, always providing they respect the principles of this tax strategy. The assessment of this risk should not only take into account any possible impact on the Group's equity but also on its reputation, which affects the way people, customers, shareholders or investors and communities perceive the bank.

In accordance with the above, Santander Group's tax strategy involves/comprises the following principles:

- Meeting its legally required tax obligations, reasonably interpreting in all cases the applicable regulations in line with the spirit and purpose of the latter.
- Being taxed according to the true legal nature and economic substance of the events, acts or business activities undertaken, avoiding any transactions or business activities that are clearly of a contrived or improper nature or serve no economic purpose other than tax avoidance.

- Avoiding any tax planning that could be considered aggressive or failing to respect the principles stated in the preceding paragraphs, notwithstanding the use of those alternatives or options that permit a more favourable tax, meeting the guidelines issued in this regard by international organizations or the tax authorities in the jurisdictions where the Group operates.
- Ensuring transparency, rejecting the use of structures of an opaque nature for tax purposes. Such structures are understood as those which, through the use of special purpose vehicles via tax havens or jurisdictions that are non-cooperative with the tax authorities, are designed with the purpose of preventing the tax authorities from knowing the party finally responsible for the respective activities or the ultimate holder of the goods or rights involved.
- Not creating or acquiring holdings in entities resident in countries or jurisdictions considered to be tax havens according to Spanish tax legislation without specific authorisation from the board of directors following a report from the audit committee, and always following an analysis of the specific circumstances of and justification for the transaction in question.
- Respecting the regulations on transfer pricing, especially addressing those transactions that are not eliminated as a result of the tax consolidation process or whose subject matter and terms set them apart from the company's ordinary trading activities. The application of these rules will pursue the adequate taxation in each jurisdiction in accordance with the activities undertaken, the assumed risks and the profits generated, regardless the value creation within the framework of the traditional economy or the new digital environment.
- In the marketing and sale of financial products and services it is not permitted to provide customers with any kind of tax advice or planning beyond giving them information on the possible tax treatment of the product or service involved, with a reminder that this is merely information and not tax advice, and that customers are responsible for duly complying with their tax obligations, which includes obtaining, on their own account and unrelated to the Group, the necessary tax advice concerning the financial products and services contracted. Presentations of products, services and contracts will include explicit warnings about this.
- Providing customers, with tax information on products and services contracted, as far as in advance as possible, seeking to avoid any problems or discrepancies with the tax authorities.
- Collaborating with the competent tax authority and providing it with true and complete information as required to comply with its tax obligations, as

either a taxpayer or an entity providing support in the management of the tax system. In particular, the Group must comply with any obligations arising from the automatic exchange of information on financial accounts through FATCA/CRS, as well as those established with regard to early communication of potentially aggressive tax planning mechanisms, in accordance with action 12 of the BEPS project.

- Communicate in a transparent way the Group's total tax contribution, with details for each jurisdiction of their own taxes paid and taxes from third parties that the Group collects as collaborator of tax authorities, as well as information relating to the Annual Banking Report in the terms laid down in banking supervisory regulations.
- Endeavouring to establish a cooperative relationship with the Tax Administration, based on the principles of transparency and mutual trust and aimed at preventing conflicts, therefore minimizing the possibility of litigation. With this objective, the Group companies will participate, whenever possible, in cooperative compliance programmes promoted by their tax authorities, in accordance with OECD directives in this regard.
- Contributing to the configuration of a fair, sustainable and up-to-date tax system, as well as the development and application of a more equitable and efficient tax legislation for the benefit of both general and business interests.

In short, adopting all good practices leading to the appropriate prevention and reduction of both tax and reputational risk, in order to generate greater legal and economic security for the institution and its shareholders.

The board of directors of Banco Santander, S.A., pursuant to Article 529 ter of the Spanish Limited Liability Companies Law, approved this strategy. As the parent company of an international group, Banco Santander establishes the common guidelines and standards on tax matters that are applicable to all Grupo Santander entities. Thus, the principles governing compliance with the tax obligations of Group entities should be aligned with the general principles comprising Banco Santander's tax strategy approved by the board of directors, notwithstanding any adaptation to the peculiarities of the tax regulations in each of the jurisdictions where such entities operate. In any event, subsidiaries should comply with the tax laws and regulations of the countries where they are present, cooperate with the authorities and provide them with the information required.

The tax strategy is disseminated within the Group through the corporate tax policy, which defines the tax risk, the principles governing its management and control, the governance applicable to the tax function and the roles and responsibilities that are involved in it, as well as the catalogue of transactions with special tax risk defined by the board and its governance bodies. For this purpose, in accordance with the accepted commitment to transparency, the strategy and

a summary of corporate tax policy is published on Banco Santander's corporate website.

The tax control framework in the Group entities is developed through the appropriate procedures specified in the Group's internal control system, which include details of the processes and activities which comprise the tax function and which, in any case, should be aligned with the principles governing tax strategy and its development through corporate tax policy.

It is the responsibility of Banco Santander's tax advisory, within the general secretariat, to ensure compliance with the principles comprising the strategy approved.

Banco Santander's tax advisory is also entrusted with ensuring compliance with the common guidelines and standards applicable throughout the Group, coordinating and in turn cooperating with the local internal or external tax counsels of the different subsidiaries.

To this end, tax advisory should have sufficient human and material means and the appropriate procedures in place to ensure that tax risk in the Group is correctly managed and controlled.

The role of tax advisory is subjected to oversight and control in accordance with the regulatory requirements and the Group model. For this purpose, internal audit and the external auditor are responsible for carrying out regular reviews.

Annually, the head of tax will submit to the board of directors (either directly or through the audit committee), a report on the tax policies applied during the fiscal year, which should be in line with the basic principles comprising Banco Santander's tax strategy.

Notwithstanding the above, in all transactions or matters to be submitted to the board of directors or its committees for approval, a report will be given on the tax consequences of such operations, and of those investments or transactions which pose a particular tax risk due to the high amount or special characteristics involved.

This tax strategy is a permanent feature, notwithstanding its annual review and updating in accordance with regulatory changes and the international tax environment, meeting always its necessary alignment with the Group's general strategy.

The tax strategy was approved in February 2015 and updated in February 2019.