



Santander and its  
Shareholders



Annual Report on  
Corporate Social Responsibility  
2004



Santander and its  
Customers

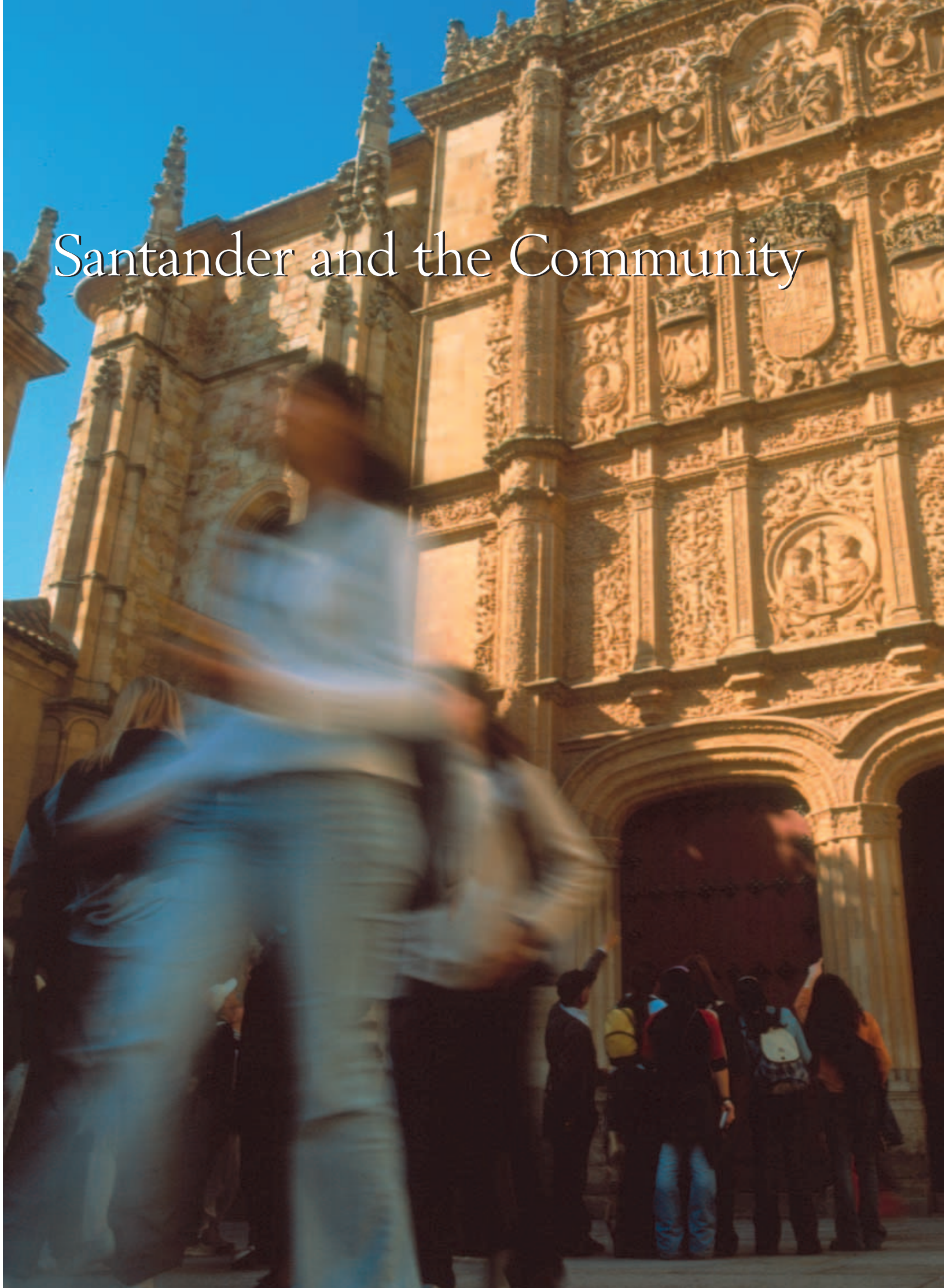


Santander and its  
Employees





# Santander and the Community



# Report Scope

This is Grupo Santander's third Annual Report on Corporate Social Responsibility.

Corporate social responsibility is a strategic element of Grupo Santander's management, because we believe that business growth is closely linked to our commitments with all our stakeholders – customers, shareholders, employees and suppliers – as well as society and the environment.

This document covers all the Group's activities during 2004 in the countries where it operates: continental Europe, the United Kingdom and Latin America.

This Report has been drawn up in accordance with the indications and recommendations of the Global Reporting Initiative (GRI).

# Vision

## To be among the top 10

We want to rank among the world's top 10 banks in terms of market capitalization, and to stay on top.

## Customers and products

Customer satisfaction and unceasing product innovation are the constants of our day-to-day operations.

## Focused on Europe and Latin America

We are a "multilocal" group, which means we combine a common business model with the best local management. We concentrate on Europe and Latin America with a firm bias towards retail banking.

# Values

## Dynamism

Initiative and agility in identifying and taking advantage of business opportunities before our competitors, and flexibility to adapt to new market trends.

## Strength

Our balance sheet strength and prudent risk management are the best possible guarantees of our ability to grow and create long-term shareholder value.

## Innovation

Constant search for new products and services to satisfy the customer's requirements and at the same time outperform our competitors in profitability.

## Leadership

Our goal is to be leaders in all markets where we do business, founded on high quality professionals and a permanent focus on the customer and on performance.

# Reader's Guide

Message from the Chairman	4
Profile of the Group	6
Corporate Social Responsibility in Santander	8
Corporate Governance	10
Our brand	13
Customers	14
Shareholders	32
Employees	42
Suppliers	58
Community	64
The Environment	84
The Auditor's Report – GRI Indicators	93





“The Annual Report on Corporate Social Responsibility sets out our activities and commitment with shareholders, customers, employees, society as a whole and the environment. The Group invested EUR 84.4 million in corporate social responsibility projects in 2004, 2.7% of net attributable income.

Our priority in the social sphere is higher education. Santander Universities is an unprecedented alliance on a global scale between a company and universities. In 2004 we increased the number of cooperation agreements with universities in Spain, Portugal and Latin America to 409, and to 812 the universities in the Universia Portal.”

Emilio Botín  
*Chairman*

Letter to Shareholders,  
2004 Annual Report

# Message from the Chairman

This is the third time we have reported, via the Annual Report on Corporate Social Responsibility, on the economic, social and environmental commitments the Group has with its stakeholders (customers, employees and shareholders), as well as with society as a whole. Our CSR policy adds value to our long-term commitment to the countries where we operate.

In previous years, the CSR Report followed the recommendations of the GRI. This year we have taken another step forward and produced it in accordance with GRI standards, adjusted to the features of our sector, and also kept the external auditing to verify the data we had already incorporated. This guarantees compliance with one of the basic requirements of corporate responsibility: transparency.

## Higher education, striving for the future

Santander invested 2.7% of its net attributable income in 2004 in Corporate Social Responsibility programmes. A large part of this investment (more than EUR 57 million) went to the Santander Universidades programme, the largest of its sort in the world between a private company and universities.

Santander Universidades represents a major effort we have embarked on in terms of investment in the future. Higher education is the key to social development; as a result of it, the greater material and intellectual wealth of the countries and citizens with whom we are in contact improves their quality of life and, in turn, increases our possibilities of business.

Precisely because we believe in the importance of education, we are also striving to foster the professional training of our employees. We want the best professionals, the most skilled and the best prepared. In 2004, three quarters of the Group's employees were involved in training and we invested 1.3% of our wage bill in it. We are making Ciudad Grupo Santander at Boadilla on the outskirts of Madrid a model centre for the development and strengthening of our intellectual capital.

## Satisfied customers

Naturally, all our actions are always developed with an overriding objective in mind: the creation of shareholder value and customer satisfaction. Shareholders and customers are the final recipients of our efforts and for this reason we have made quality service one of the strategic pillars of our business model.

The 63 million customers in Europe and Latin America is an extraordinary number of people who have placed their confidence in us. Our responsibility to them is based on providing them with optimum service and the best and most innovative products. The latest customer satisfaction surveys recognise the effort we have made, and which we must keep up.

## The environment

Conserving and improving the environment is another of the Group's constant concerns. We want our centres to be a model in environmental matters and we also want our business activity to increasingly take into

account ecological factors from the standpoint of both risks as well as the business opportunity.

## Technology

One of the greatest strengths of the Santander Model is technology. It is of fundamental importance for our management, for improving quality and for boosting business. But it also helps us to meet our commitments in CSR because it gives us substantial advantages in our relations with our stakeholders. The Partenón and Altair IT platforms and Banesto's Alambra project are improving customer service enormously, facilitating the tasks of our employees, optimising the relation with suppliers and making the participation of shareholders more transparent and agile.

## A great brand

Santander is now, after the incorporation of Abbey, one of the world's 10 largest banks by market capitalisation, with an extensive presence in two continents. Our corporate culture is based on the values of dynamic management, financial strength, innovation and leadership united under a great brand.

This gives rise to many obligations. Firstly, to be efficient and continue to create shareholder value. But also to make an increasingly better world.

I hope that this Report will tell you not only what we did during 2004, but also the scope and determination of our long-term commitment.

## Profile of the Group

## Grupo Santander in Figures

	2004	2003
<b>Income Statement*</b>		
Million euros		
Net operating income	6,545.2	5,720.7
Net attributable income	3,135.6	2,610.8
Net attributable income (cash basis)**	3,600.7	3,133.3
<b>Balance Sheet</b>		
Millions of euros		
Reserves	27,736.4	14,823.2
Shareholders' equity (BIS criteria)	44,359.9	25,521.4
Total assets	575,397.9	351,790.5
Total customer funds	538,041.7	323,900.8
<b>Activity</b>		
Number of customers (millions)	63.5	41.3
Number of shareholders (millions)	2.69	1.08
Number of employees	126,488	103,038
Number of branches	9,973	9,199
Number of credit and debit cards (millions)	34.1	23.9
<b>Main management ratios</b>		
%		
ROE	15.98	14.48
Efficiency ratio	47.44	49.34
BIS ratio	13.01	12.43
Earnings per share (euros)	0.6307	0.5475
<b>Other indicators</b>		
Million euros		
Dividends	1,837.3	1,444.4
Wages and salaries*	3,012.0	2,959.5
Taxes on income and others*	766.8	869.4
Investment in social responsibility (% of net attributable income)	2.7%	2.7%

\*Excluding Abbey.

\*\* Before ordinary amortisation of goodwill.



# Business Areas

Grupo Santander is the world's ninth largest financial institution by market capitalisation, specialising in retail banking and with a strong presence in continental Europe, Latin America and the United Kingdom. It conducts business in two continents belonging to three currency zones – the euro, sterling, and the US dollar – and operates on a “multilocal” basis combining a common business model with management adapted to the local features of each market.

## Retail Banking in Continental Europe

This covers the banking activities conducted by the different networks and specialized units in the Euro zone, mainly with individual customers, SMEs and public and private institutions.

There are four units: Santander Central Hispano Retail Banking, Banesto, Santander Totta and Santander Consumer.

## Retail Banking United Kingdom

This covers the universal banking activities of Grupo Santander via Abbey, the sixth largest bank in the UK and the second in mortgages.

## Latin America

This covers the Group's universal banking activities in Latin America via its subsidiary banks and finance companies.

## Asset Management and Private Banking

This business area embraces three types of activities: management of mutual and pension funds, bancassurance and private banking.

## Wholesale Global Banking

This division conducts corporate and investment banking and treasury activities.

## Financial Management and Equity Stakes

This is responsible for the centralized activities relating to stakes in industrial and financial companies, financial management related to the structural exchange rate position, the Group's asset and liability portfolio and management of liquidity and of equity via issuance and securitization.

	Net operating income* Million euros	Net attributable income* (cash basis)** Million euros	Efficiency ratio* %	ROE* (cash basis)** %
Retail Banking Europe	3,918.7	2,120.3	42.46	19.50
Retail Banking Latin America	1,741.2	1,038.6	55.26	26.87
Asset Management and Private Banking	479.1	351.1	42.33	63.67
Wholesale Global Banking	412.7	331.1	46.03	20.87
Financial Management and Equity Stakes	(6.5)	(240.5)	-	-
Total	6,545.2	3,600.7	47.44	18.35

\* Excluding Abbey

\*\* Before ordinary amortisation of goodwill

## Corporate Social Responsibility in Santander

## A unique alliance with universities

## Our environment

2002

2003

2004

## Strategy

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Presentation of CSR Strategic Plan, supporting higher education</li> <li>• Publication of first CSR Annual Report with GRI standards</li> <li>• Adherence to the UN Global Compact</li> <li>• Santander forms part of the DJSI index</li> </ul> | <ul style="list-style-type: none"> <li>• Development of the Plan, focused on higher education</li> <li>• Publication of the second CSR Annual Report: audited by Deloitte and GRI standards</li> <li>• Chile and Peru join the UN Global Compact</li> <li>• CSR training begins</li> <li>• Continuation in the DJSI and inclusion in the FTSE4Good</li> </ul> | <ul style="list-style-type: none"> <li>• Setting of medium-term objectives and plans for Santander Universities</li> <li>• Publication of the third CSR Annual Report: in accordance with GRI standards and audited by Deloitte</li> <li>• Further adherence to the Global Compact</li> <li>• Continuation in the DJSI and the FTSE4Good and inclusion in the FTSE ISS</li> </ul> |
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## Corporate Governance

- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>• Approval of the Regulations of the Board of Directors</li> <li>• Itemized remuneration of directors begins to be published</li> </ul> | <ul style="list-style-type: none"> <li>• Deminor rating in corporate governance: 8/10</li> <li>• New texts of Codes of Conduct</li> <li>• Publication of the Report of the Auditing and Compliance Committee begins</li> </ul> | <ul style="list-style-type: none"> <li>• New Deminor rating: 8/10</li> <li>• Publication of the Report of the Appointments and Remuneration Committee begins</li> <li>• Continuous training programme for directors</li> <li>• External evaluation of the Board by Spencer</li> </ul> |
|--|--|---|

## Society

## Santander Universities

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• 6 years of Santander Universities</li> <li>• 250 cooperation agreements with universities</li> <li>• 637 universities incorporated to the Universia portal</li> <li>• More than 10,000 books in the Miguel de Cervantes Virtual Library</li> </ul> | <ul style="list-style-type: none"> <li>• 320 cooperation agreements with universities</li> <li>• 736 universities in the Universia portal</li> <li>• Miguel de Cervantes Virtual Library: more than 12,000 books</li> </ul> | <ul style="list-style-type: none"> <li>• 409 cooperation agreements with universities</li> <li>• 812 universities in Universia</li> <li>• Miguel de Cervantes Virtual Library: more than 13,700 books</li> <li>• Special measures over three years for Brazil, Mexico, Argentina and Chile</li> </ul> |
|---|---|---|

## Social Projects

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Co-participation projects with employees and customers</li> <li>• Continuation of micro credit programmes</li> </ul> | <ul style="list-style-type: none"> <li>• New co-participation projects</li> <li>• Co-participation with employees, customers and shareholders to help the <i>Prestige</i> catastrophe</li> <li>• Support for the International Forum of Microcredits, Brazil</li> </ul> | <ul style="list-style-type: none"> <li>• Gift of unneeded equipment and furniture to charities</li> <li>• New cultural, social and educational co-participation projects</li> <li>• New microcredit programmes</li> </ul> |
|---|---|---|

## The Environment

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Environmental policy</li> <li>• Implementation of the 3R Plan – Recycle, Reduce and Re-use</li> <li>• Ciudad Grupo Santander, a model of sustainable development, begins to be built at Boadilla del Monte, Madrid</li> <li>• Carbon Disclosure Project signed</li> </ul> | <ul style="list-style-type: none"> <li>• Development of the validation system for environmental risks, "VIDA"</li> <li>• ISO 14001 environmental certification in Chile</li> <li>• Implementation of programmes to cut consumption of paper in Brazil, Portugal, Chile and Spain</li> <li>• <i>Cuadernos de Sostenibilidad y Patrimonio Natural</i> begins to be published</li> </ul> | <ul style="list-style-type: none"> <li>• Application of the "VIDA" tool</li> <li>• ISO 14001 environmental certification in Mexico</li> <li>• Recycling systems at Ciudad Grupo Santander</li> <li>• First business report with zero emissions of CO<sub>2</sub></li> <li>• Creation of the Group's Environmental Committee</li> </ul> |
|--|---|--|

## Our stakeholders

2002

2003

2004

### Shareholders

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• 1.1 million shareholders</li> <li>• 37,063 consultations by shareholders and 931 presentations of results to individual shareholders</li> <li>• The corporate website as the best information channel</li> </ul> | <ul style="list-style-type: none"> <li>• 1.1 million shareholders</li> <li>• Fourth bank in the world that created the most value for its shareholders</li> <li>• Chairman's letter to shareholders inviting them to ask questions at the Meeting</li> <li>• The Meeting eliminates anti-takeover protection measures and establishes the principle of "one share, one vote"</li> <li>• Approval of the Regulations of Shareholders' Meetings</li> </ul> | <ul style="list-style-type: none"> <li>• 2.7 million shareholders</li> <li>• Chairman's letter to shareholders</li> <li>• Elimination of the requirement to hold 100 shares in order to attend Meetings</li> <li>• Corporate website adapted to the new legal requirements</li> <li>• Vote and delegation by electronic means</li> <li>• Specific attention for Abbey's shareholders</li> </ul> |
|---|--|---|

### Employees

- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Global Strategic Human Resources Plan</li> <li>• Programme for Young Executives with Potential in Latin America</li> <li>• Apollo Programme (3rd edition)</li> <li>• Positive Action Plan to foster equality of opportunity</li> <li>• Creation of the corporate magazine <i>Carácter</i></li> </ul> | <ul style="list-style-type: none"> <li>• Chairman's letter to all employees, giving rise to the launch of five corporate projects</li> <li>• Programme for Young Executives with Potential in Latin America and Apollo Project in Spain (4th edition)</li> <li>• 68% of employees receive training</li> <li>• Improved process for evaluating executives</li> <li>• Recognition of the Optimum Programme in Spain is granted</li> </ul> | <ul style="list-style-type: none"> <li>• Transfer of central services to Ciudad Grupo Santander</li> <li>• Creche at Ciudad Grupo Santander, with room for 400 children</li> <li>• New Executive Resources model</li> <li>• Review of the evaluation processes</li> <li>• Progress in the Group's Executive Development Plan</li> <li>• 70% of employees receive training</li> </ul> |
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### Customers

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• The results of surveys evaluating service begin to be published</li> <li>• Publication of the Group's principles in ethics</li> <li>• International Express Office, for the immigrant population</li> <li>• Marketing campaign for the benefit of the Spanish Red Cross</li> </ul> | <ul style="list-style-type: none"> <li>• 2003 Quality Plan: 65,000 surveys</li> <li>• Adherence to the CNMV procedures guide for the marketing of investment products</li> <li>• Renewal of ISO 9001 quality certificate by Santander Totta, en Portugal</li> <li>• Marketing campaign in Spain for the benefit of Médicos Sin Fronteras and in Mexico, donations to UNICEF via ATMs</li> </ul> | <ul style="list-style-type: none"> <li>• Customer Banking corporate project: Creation of the Corporate Unit of Quality Service reporting to the CEO</li> <li>• Common system adopted for treatment and measurement of customers</li> <li>• Marketing campaign with the Spanish Red Cross. Seventeen mobile emergency centres are donated</li> </ul> |
|---|---|---|

### Suppliers

- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>• General principles of the purchasing policy</li> <li>• Chain of adherence by suppliers to the Global Compact</li> </ul> | <ul style="list-style-type: none"> <li>• Purchasing via electronic auctions begins</li> <li>• Chain of adherence to the Global Compact: more than 40% of suppliers in Spain, 50% in Colombia and more than 75% in Puerto Rico</li> </ul> | <ul style="list-style-type: none"> <li>• Approval of the Global Purchasing Model</li> <li>• Consolidation of the purchasing systems via electronic auctions</li> <li>• Incorporation of new suppliers to the chain of adherence to the Global Compact</li> </ul> |
|--|--|--|

## Corporate Governance

# Santander makes the principle of one share, one vote, one dividend effective

Grupo Santander views corporate governance as a competitive advantage and a strategic element, based on two pillars: shareholders' rights - with equal treatment on the basis of one share, one vote, one dividend - and transparency.

These pillars, which have always been carefully looked after, guide the Group when taking decisions and handling information and they form part of our business culture.

## Shareholders' rights

Grupo Santander, anticipating legal requirements, has adopted a series of measures over the last few years which enhance its commitment to shareholders.

By totally eliminating the anti-takeover protection measures in its corporate by-laws in June 2003, Banco Santander promoted the principle of one share, one vote, one dividend, and guaranteed equal treatment of all its shareholders.

Grupo Santander has also given importance to fostering dialogue with shareholders, with measures such as the Chairman's letter which, for the second year running, invited shareholders to suggest issues and ideas that were later dealt with at the Meeting. Meanwhile, Grupo Santander has encouraged and facilitated the participation of shareholders at Meetings, adopting measures such as eliminating the requirement to hold at least 100 shares in order to be able to attend Meetings and allowing voting and the delegating of voting to be done electronically.

## Transparency

Transparency, focused on generating confidence and security in the market, is one of the main elements of the Group's relations with shareholders, investors,

customers and employees. This requires correct, complete, rigorous and true information, which is transmitted to everyone in the same way.

The publication as of the 2002 Annual Report of the remuneration of directors, including executive directors, was a milestone. In 2004 Grupo Santander took another step and published the Report of the Appointments and Remuneration Committee, which sets out the remuneration policy for the Board.

The basic principles of the Group's good governance are set out in the corporate-by-laws, the Regulations of Shareholders' Meetings and of the Board, and in the Codes of General Conduct and of the Securities Market.

## Administration structure

The maximum decision-making body is the Shareholders' Meeting, which holds an ordinary meeting once a year to approve the annual financial statements and an extraordinary meeting when its approval is needed for decisions that cannot wait for an ordinary meeting.

The Board is united and balanced, with an appropriate number of executive directors and a majority of non-executive directors.

Its members are independent, of recognised prestige and professionally successful and include six directors who are or have been chairmen of Spanish or international banks. Some of the directors are also significant shareholders of the Bank, thereby strengthening their degree of commitment and the creation of shareholder value. It meets at least nine times a year in sessions which are a forum for debate, as befits its mission of being a supervisory and collective decision-making body that presents ideas and exchanges views.



The Board currently has 19 members, five of whom are executive directors and 14 non-executive (four of them proprietary).

In order to enable the Board to carry out its functions efficiently, it has six committees, two of them for taking decisions, the Executive Committee and the

Risks Committee, and four informing committees: Auditing and Compliance, Appointments and Remuneration, Technology, Productivity and Quality, and International. There is also an International Advisory Board made up of well-known figures who are not directors. It helps the Board to design and put into effect the global business strategy.

### Banco Santander is among the best in corporate governance

Maximum transparency.

Maximum respect for the principle of one share, one vote, one dividend.

Elimination of all anti-takeover measures.

Only one share is needed to attend a Shareholders' Meeting.

Voting at a distance.

Publication of separate reports of the Auditing and Compliance Committee and of the Appointments and Remuneration Committee.

External evaluation of the Board.

### Delegating and voting at a distance

Banco Santander has made it possible for shareholders to confer their representation and exercise their vote on issues on the agenda via communication at a distance and before the holding of the Meeting. There are two systems for doing this:

Electronic means

This is done via the Group's website ([www.gruposantander.com](http://www.gruposantander.com)) and entails a contract with the Bank which enables the shareholder to access the corresponding application and have an electronic signature.

By mail

Shareholders have to fill in the card for attendance, delegation and voting issued on paper by the Bank.

At the Shareholders' Meeting in October 2004, a total of 259,162,379 votes at a distance were issued (5.435% of the capital stock), of which 258,733,090 (5.426%) were done by mail and 429,289 (0.009%) by Internet.

### Corporate Governance Rating

**d e m i n o r**  
R A T I N G



The continued rating of 8 out of 10 underscores compliance with the principles and best international practices in corporate governance matters. The full report is available on the Group's website ([www.gruposantander.com](http://www.gruposantander.com)) as well as on Deminor's site ([www.deminor-rating.com](http://www.deminor-rating.com)).

### New corporate governance indices



Banco Santander forms part of the new series of corporate governance indices, FTSE ISS Corporate Governance Index, drawn up by FTSE and Institutional Shareholders Services (ISS). The Group's inclusion in the two main indices, FTSE II Europe CGI and FTSE ISS Euro CGI, and its continued presence in the socially responsible indices, Dow Jones Sustainability Index and FTSE4Good, is a further international recognition of its corporate governance policy.

Banco Santander will continue to make progress in its commitment to corporate governance and incorporate the best international practices, in the conviction that good governance benefits not only the Bank but, above all, society as a whole.

The 2004 Annual Report gives further information on corporate governance.

### The Board's committees

#### 1. Executive Committee

Chairman	Mr. Emilio Botín (EX)
Members	Mr. Alfredo Sáenz (EX) Mr. Matías Rodríguez Inciarte (EX) Mr. Fernando de Asúa (I) Mr. Antonio Basagoiti (E) Ms. Ana Patricia Botín (EX) Mr. Guillermo de la Dehesa (I) Mr. Rodrigo Echenique (E) Mr. Antonio Escámez (E) Mr. Francisco Luzón (EX)
Meetings/year	59
Hours put in	270

#### 2. Risks Committee

Chairman	Mr. Matías Rodríguez Inciarte (EX)
Deputy Chairman	Mr. Fernando de Asúa (I)
Members	Mr. Antonio Basagoiti (E) Mr. Rodrigo Echenique (E) Mr. Antonio Escámez (E)
Meetings/year	99
Hours put in	250

#### 3. Audit and Compliance Committee

Chairman	Mr. Manuel Soto Serrano (I)
Members	Mr. Fernando de Asúa (I) Mr. Rodrigo Echenique (E) Mr. Abel Matutes (I) Mr. Luis Alberto Salazar-Simpson (I)
Meetings/year	13
Hours put in	60

#### 4. Appointments and Remuneration Committee

Chairman	Mr. Fernando de Asúa Álvarez (I)
Members	Mr. Guillermo de la Dehesa (I) Mr. Rodrigo Echenique (E) Mr. Elías Masaveu (I) Mr. Manuel Soto (I)
Meetings/year	8
Hours put in	16

#### 5. Technology, Productivity and Quality Committee

Chairman	Mr. Emilio Botín (EX)
Members	Mr. Alfredo Sáenz (EX) Mr. Fernando de Asúa (I) Mr. Antonio Basagoiti (E) Mr. Emilio Botín O'Shea (P) Mr. Antonio Escámez (E) Mr. Luis Alberto Salazar-Simpson (I)
Meetings/year	2
Hours put in	4

#### 6. International Committee

Chairman	Mr. Emilio Botín (EX)
Members	Mr. Alfredo Sáenz (EX) Ms. Ana Patricia Botín (EX) Mr. Guillermo de la Dehesa (I) Mr. Rodrigo Echenique (E) Mr. Antonio Escámez (E) Mr. Francisco Luzón (EX) Mr. Abel Matutes (I)
Meetings/year	2
Hours put in	4

General Secretary and Secretary to the Board Mr. Ignacio Benjumea is Secretary to all the Committees.  
EX: EXECUTIVE - I: EXTERNAL INDEPENDENT - P: EXTERNAL PROPRIETARY - E: EXTERNAL (NEITHER PROPRIETARY NOR INDEPENDENT)

## Our Brand

# Our Brand: an asset that creates value

The Santander brand reflects our values: leadership, dynamism, innovation, an aggressive business approach, financial strength and professional ethics. It synthesises the Group's identity, essence and positioning and transmits a global reality independent of the strategy of each market, channel or product.

The Group's visual identity is expressed in the flame, the colour red and the word Santander. The brand's strategic positioning is also summed up by the slogan "The value of ideas", which reflects our constant and self-imposed demand to continue to innovate and anticipate, putting valuable ideas into practice.

The Board approved in April 2004 the rules regarding the corporate identity, which have to be fulfilled in all countries, units and divisions of the Bank. These rules establish codes of communication shared by the whole Group, creating internal bonds of belonging to the same group and external ones of recognition, confidence and credibility.

The brand is a strategic asset of the Group and, as such, is managed to increase its value on a sustained basis. During 2004 the Group progressed towards greater homogenisation in the architecture of its brands. Local brands such as Banespa, CC-Bank, Finconsumo and Hispamer incorporated the flame, the colour red and the word Santander.

The Group has set the goal of moving toward a common identity in all its units and countries: the Santander brand. To do this, it has set the target of 2007, when it will celebrate its 150th anniversary. This will be done gradually, in all markets, except those exceptions agreed by the Group, such as Banesto in Spain.

2007 brand vision:  
converging towards Santander as the only brand





Customers

Santander



Our 63 million customers are the bedrock of our activity in the markets where we operate. Santander's future is directly determined by the confidence and support that each and every one of them continues to place in us

## Reader's guide

Our customers by type	18
Personalised service channels	18
Accessibility	19
Quality of service	19
Customer attention	22
Customer satisfaction surveys	22
Complaints	23
Interview with the head of the CS	24
Emergency plans	25
Launch of new products	26
New Products Committee	26
Socially responsible products	26
Noteworthy products in 2004	26
R+D+I	27
Publicity: adherence to voluntary codes	28
Prevention of money-laundering	28
Internal organisation	29
Awards and recognitions	29
Indicators	31



63,000,000

Customers

29.9 %

from continental Europe

28.0 %

from the United Kingdom

42.1 %

from Latin America

6.07 years as customers

8.03 average satisfaction of individual customers (our of 10)

9,973 branches

434.7 million on-line operations

195.2 million telephone banking operations



47.05 million retail banking customers

6.83 million consumer finance customers

1.64 million business customers

8.01 million customers of asset management and other businesses



## Customers

## Our commitment

### Quality and innovation:

Grupo Santander works every day to improve the quality of its service and create lasting relations with its customers. Our offer of value is based on personalised attention, innovation and constant adjusting our products and services to their needs.

## Scale

Customers:	63.5 million
Number of branches:	9,973
Average length of existing customers' relationship:	6.07 years
Average individual customer satisfaction (1/10)	8.03

### Distribution of customers by activity (millions)

Retail Banking	47.05
Consumer finance	6.83
Company banking	1.64
Asset management and other businesses	8.01

## Main actions in 2004

- The corporate and business websites were changed to make them more accessible
- Customer banking project
- Approval of the Customer Attention Service regulations

## Objectives in 2005

- Creation of the Corporate Unit of Quality Service, reporting to the CEO
- Obtain the certificates of accessibility for the Group's website
- Install the Partenón platform in all branches in Spain and develop the Altair platform in Latin America

## Customers

# Our customers by type

Grupo Santander's daily activity is based on its more than 63 million customers, a number which rose significantly after the acquisition of the UK bank Abbey with 18 million. The Group is committed to searching for the best and most innovative products and services that cover all needs.

The large number of customers covers all segments of financial business: individual customers, classified in

each country on the basis of their different income levels and other features; private banking clients, for whom we have a range of products to satisfy all their needs and tailor-made service and attention; companies and institutions, to whom we supply specialised services and products; and large corporations, who, as a result of their specialisation and international presence, are provided with high value added global services.

## Countries where the Group operates

	Branches (number)	Market share (%)	Customers*** (millions)
Spain	4,384	18	13.4
United Kingdom*	730	10	17.8
Portugal	670	11	1.8
Brazil-Sao Paulo	1,888	4.6 - 10	6.8
Mexico	1,020	15	8.8
Chile	346	22	2.7
Germany**	58	15	2.7
Italy**	39	6	0.7
Puerto Rico	71	13	0.3
Venezuela	242	13	2.1
Argentina	288	7	3.6
Colombia	87	3	1.3
Other countries	150		1.5
<b>Total</b>	<b>9,973</b>		<b>63.5</b>

\* Market share of mortgages

\*\* Market share of auto finance

\*\*\* Customers are those who are the main holders or co-holders, following the same criteria for all the Group, which could be different to that used by some of its banks. Retail banking and asset management customers (including those who participate in pension funds in Latin America) are included

## Personalised service channels

The main channel for providing services to our customers is the Group's network of branches. Grupo Santander has 9,973 branches grouped in different categories on the basis of the type of customer – individuals, companies and institutions, private and corporate banking - their location and the service needs. Each bank also has specific branches for certain customers, such as Santander Central Hispano, in Spain, and its International Express offices for immigrants, the Points of Banking Attention of Santander Banespa in Brazil and the offices in universities that are part of the Santander Universities programme.

Grupo Santander also has two safe and economic alternative systems, on-line banking and telephone banking, which complement the traditional channels. They are available in all its banks. On-line banking in 2004 handled 434.7 million operations, almost double the number of 2003.

The telephone banking channel received 165.6 million calls in 2004 and carried out 195.2 million operations. It operates around the clock seven days a week and provides services and high value-added products such as management of current accounts, advice on the contracting of products and the direct payment of bills, among others.



## Accessibility

Grupo Santander began in 2004 to remodel its corporate ([www.gruposantander.com](http://www.gruposantander.com)) and business ([www.gruposantander.es](http://www.gruposantander.es)) websites in order to ensure they can be accessed by people with hearing, visual, motor disability, technological or learning difficulties, in accordance with recognised steps and recommendations. Grupo Santander developed this project in collaboration with a company where more than 70% of its employees were handicapped in some form or other. The objective is to gain the corresponding accessibility certificates in 2005.

In most of its branches Abbey has special devices, such as text telephones, which can be used by clients with sensory disabilities. All the information is also available in Braille and in very large text versions.

## Quality of service

Under the framework of the 5 Corporate Projects approved by the Board of Directors during 2004, the Banking for Customers project is particularly important. The Group's main aim is to forge stable, profitable and quality relations with its customers, so creating value for both them and shareholders.

The Corporate Unit of Quality Service was created to put the project's measures into effect. This Unit reports directly to the CEO and will establish elements of measurement, language, tools and common parameters that enable improvement measures to be taken and best practices to be transferred.

The Group has a quality team in each country where it operates, The main tasks of these teams are to design programmes that retain and increase the links with customers through a rapid, reliable and friendly service; to find out the expectations of customers and measure their satisfaction in order to be able to identify the priority areas for improvement; and to foster the participation of employees, involving them in the provision of a better service.

We will now briefly describe the quality programmes undertaken in the main countries during 2004, as well as the main achievements. The results of the aforementioned quality surveys are summarised in the table on pages 22 and 23.

## Santander Central Hispano, Spain

The 940 Plan was launched in 2004 in branches which were below the average in quality of service. It consisted of mystery shopping to obtain results and improve the advice for customers. A 3% improvement was achieved in advice, which includes knowledge, information, recommendation and interest.

The Bank has a manual, Quality in Our Branches, which covers aspects such as increasing the satisfaction, advice and attention given to customers. During the year 140,000 surveys on satisfaction were conducted. There is a table which sets out a series of variables that affect the quality perceived by customers, such as service, advice and forging closer ties; and internal surveys were carried out for employees to evaluate the services offered.

## Banesto, Spain

The Q10 model was established in 2004. This is a new internal and external quality management framework that seeks continuous improvement in customer and employee satisfaction. The goals as regards customers are:

- Develop a culture of satisfaction that can be applied by all employees
- Foster creativity and the transfer of knowledge
- Encourage the participation and development of teams and people
- Minimise inefficiencies and internal costs that do not generate value for the customer
- Increase the percentage of partner customers

As a result of its work in this field, Banesto was chosen to head the Committee of Quality of Financial Entities of the Spanish Association for Quality.

## Santander Consumer, Spain

Progress was made with customers and with agents. Particular importance was attached to the Hispaconsult IT tool which was installed in the network of agencies and in the establishments of consumer agents. The System of Consumer Commissioning was developed for the provision of costs, settlement and payment of commissions for consumer operations.

### Patagon, Spain

Patagon focused in 2004 on installing a quality system in offices on the basis of customer surveys, simulated purchases and implementation of standards; the flight of customers was analysed as a continuation of the surveys in 2003; segmented surveys were continued – in May a global satisfaction level of 9.4 was achieved; the AENOR certification of Good Practices in E-commerce was maintained and the Customer Attention Service was created, replacing the Customer Ombudsman Office, adopting the rules required by the Bank of Spain.

### CC-Bank, Germany

Standards of reply by mail to customers' complaints were established in 2004; improvements were introduced on the basis of the results of employee satisfaction surveys; a project with the Group's Corporate Quality Area was begun to investigate the main expectations and needs of Direct Bank's customers tended to in CC-Bank's branches; the availability of the Bank's telephone service was improved and the range of banking services via Internet was stepped up.

### Santander Totta, Portugal

Santander Totta launched the Smile Project at the beginning of 2004. Its aim is to position Totta as the best bank in Portugal in the quality of service aspects most valued by customers. More than 120,000 surveys of customers in the different channels were conducted, 3,800 simulated purchases and 3,000 over the telephone. These tools produced indicators of quality for each of the channels and specific measures for improvement.

Santander Totta renewed the ISO 9001:2000 global quality certification attained in 2002, a management system that is continuously evolving: the internal and external measurements were reviewed and improved, a quality barometer was installed in some central departments to evaluate the levels of service and a recognition system based on these evaluations was defined.

### Abbey, United Kingdom

The results of customer satisfaction surveys showed that 56% of individual customers were completely or very satisfied (average of 5.5 out of 7) and 62% of company clients said the service was excellent (average of 3.76 out of 5).

### Santander Banespa, Brazil

In 2002, Santander Banespa established the A+ Programme in order to create a culture of excellence in customer service and attention, based on four pillars: values, processes, people and infrastructure.

The programme is producing results, as shown in the Financial Industry Panel, which measures Banks by the satisfaction of its customers. Santander Banespa increased 14 points in 2004, reducing to 10 its difference with the leader. A 22% reduction in the waiting time on peak days was also achieved and a 35% cut in the number of complaints about the attention received.

As well as the A+ Programme, Santander Banespa installed a new IT platform and advanced in the development of a Solutions Centre for treating the complaints of customers handled directly by the agencies.

### Santander Santiago, Chile

The Corporate Directorate of Customer Quality and Service began seven projects in the third quarter of 2004. These projects cover the capturing of customers, complaints, account executives/network infrastructure, telephone attention service, waiting time in branches and mortgages.

Santander Santiago continues to develop measures to obtain the ISO 9001:2001 quality certification in new areas.

### Santander Serfin, Mexico

Santander Serfin Retail Banking continued to work in 2004 on customer satisfaction measures and to strengthen the importance of the quality of service in branches.

The average satisfaction index rose from 3.5 in 2003 to 4.35 in 2004, on a scale of 1 to 5.

The quality programme for ALTEC, a technology centre, began in December 2004. Its main objective is to create a culture of quality service and transparency.

#### Santander Colombia

The satisfaction levels of Santander Colombia improved in 2004, with values of 86.4% for Visa and MasterCard customers and 85.3% for current and savings accounts, higher than the average for the banking sector.

These results reflected the success of the ongoing improvement and service projects. Of note among them was the decentralisation of customer complaint attention and comparison of the processes of the branch network.

Both the Bank as well as the AFP pension fund management entity renewed the global certification of their ISO 9001:2000 quality management system.

#### Santander Puerto Rico

The Bank reviewed the quality of service standards and adapted them to customers' new needs so that going forward quality is measured on the basis of these standards. It is also working to install a centralised system of complaints which enables all complaints to be incorporated into a single data base, regardless of the channel of entry, and a programmed model was designed to collect the results of the surveys.

#### Santander Venezuela

The Quality Area of Banco de Venezuela monitored in 2004 key indicators such as the amount of time waiting to be served, for approval of loans and resolving complaints, as well as the availability of cash dispensers or the appearance of branches. Q-Matic

equipment was installed in branches for on-line supervision of the performance of variables that affect the quality of service.

As a consequence of the results of these measurements, two improvement projects were developed regarding the amount of time spent waiting in queues in branches and the control of critical suppliers from the standpoint of quality.

The areas of Operations, Technology and Premises obtained the ISO 9001:2000 certification in 2004. There are now 11 areas that have a quality management system.

#### Banco Río, Argentina

Banco Río installed a new management tool for complaints that cuts the response time; it strengthened its links with customers via roadshows and it continued to improve the CRM system (a critical application to attain an optimum relation with customers).

Banco Río renewed its ISO 9001:2000 global certification obtained in 2003, and in 2004 it was perceived as the bank with the best level of customer satisfaction in all segments – individuals, companies and corporate.

#### Santander Uruguay

The Investment Department of the Afinidad AFAP pension fund management entity obtained the ISO 9001 Certificate in December 2004. The entity intends to obtain the certificate for its Customer Attention Department and its Operations Area during 2005.

## Customer attention

Grupo Santander is committed to attaining the maximum levels of customer service satisfaction. We have a series of systems that enable us to put ourselves in the position of customers and know how they feel

about these services. There are three customer proximity mechanisms: surveys on satisfaction, simulated purchases and establishing standards for employee/customer relations.

### Customer satisfaction surveys

	Santander Central Hispano, Spain			Portugal		
	2002	2003	2004	2002	2003	2004
Satisfaction of individuals (1 to 10)	7.96	7.97	7.90	8.03	8.05	8.47
Satisfaction of companies (1 to 10)	7.01	7.07	7.06	7.03	7.11	7.13

	Banesto, Spain		
	2002	2003	2004
Satisfaction of individuals (1 to 10)			8.30

	Santander Consumer, Spain			Patagon, Spain		
	2002*	2003*	2004	2002	2003	2004
Satisfaction of individuals	3.8	4.2				9.4**
Satisfaction of companies	4.2	4.3				

\* On a scale of 1 to 5

\*\* The result of the sum of satisfied customers (61.57%) and very satisfied customers (32.8%)

	Brazil*			Chile**		
	2002	2003	2004	2002	2003	2004
Satisfaction of individuals	-	71%	8.3 <sup>(1)</sup>	72%	62%	65% <sup>(2)</sup>
Satisfaction of companies				59%	57%	69%

(1) Customer satisfaction surveys were not conducted. A general measurement was made on the basis of the A+ Project to improve attention (Customer Satisfaction Index, CSI).

(2) Including SMEs, satisfaction scores 6 and 7. For individuals, 64%

\* Percentage of satisfied or very satisfied customers

\*\* Customers who answered with 6 or 7 on the scale of 1 to 7 less customers who replied from 1 to 4. The 2003 results were affected by the merger of Banco Santander Chile and Banco Santiago

	Mexico*			Colombia		
	2002	2003	2004	2002	2003	2004
Satisfaction of individuals	4.67	3.54	4.28	82%	85%	86% <sup>(1)</sup>
Satisfaction of companies		4.18				

(1) Simple average of satisfaction of individual customers with savings and current accounts and satisfaction of individuals with credit cards

\* Scale of 1 to 5



	Puerto Rico			Venezuela		
	2002	2003	2004	2002	2003	2004
Satisfaction of individuals (1 to 10)	8.98	9.09	9.24	7.99	8.48	7.95
Satisfaction of companies (1 to 10)	8.83	8.50	8.83			7.90

	Argentina		
	2002	2003	2004
Satisfaction of individuals (1 to 10)	7.10	8.41	8.59

## Complaints

In 2004, and in accordance with the Financial Law, the Board of Grupo Santander approved the Regulations of Customer Service and Consumer Defence. Article 37 makes it obligatory to include in the Annual Report a summary of the analysis of the complaints handled by the Attention Service and by the Customer Ombudsman during the year.

Grupo Santander, as far back as its 2000 Annual Report, anticipated the current legislation and included data on complaints and by type, which has been maintained.

Furthermore, as regards data protection and privacy, the Group has all the necessary mechanisms to go beyond meeting the prevailing legislation in the countries where it operates.

### Number of complaints to the parent bank by the channel that received them

	2004	2003	Variation
Customer Service	12,033	10,795	11%
Customer Ombudsman	1,893	1,875	1%
Bank of Spain	719	801	-10%
National Securities Market Commission	207	281	-26%
<b>Total</b>	<b>14,852</b>	<b>13,752</b>	<b>8%</b>

The number of complaints presented to Banesto's Customer Service Unit dropped by 34% confirming a trend seen in previous years. The complaints received via the Bank of Spain were 45% lower and those via the CNMV were down 61%.

Santander Totta, Portugal, made significant improvements to its applications for complaints and created new channels for receiving them. The response time was reduced, although the number of complaints and suggestions increased 38%.

### Reasons for complaints to the parent bank

	2004	2003	Variation
Transactions	47%	51%	-4
Price	23%	22%	+1
Treatments	15%	15%	=
Cards	6%	6%	=
Image/Publicity	6%	2%	+4
Environment/transfers	1%	1%	=
Cash dispensers	1%	1%	=
Others	1%	2%	-1

The number of complaints at CC-Bank in Germany increased because, for the first time, an Internet product was launched; the problems arising from the merger with Santander Direkt Bank; the possibility of registering, for the first time, all customers' complaints; and the rise in the number of customers/accounts. The main reasons for these complaints were problems linked to the level of service, time spent waiting, errors in processing, the costs of operations and availability.

## Customer satisfaction is a factor that determines the long-term generation of stable income

The rules governing the activity of the customer attention services of financial institutions came into force in 2004, strengthening the protection of the users of financial services via specific procedures for resolving complaints.

Following the Board's authorisation of the Regulations of Customer Service and Consumer Defence in Grupo Santander, with the adherence of 26 Group companies, the brief of the Customer Service (CS) was widened to include the complaints received by all these companies.

These regulations and the areas of Customer Service and Consumer Defence, whose resolutions are binding, cover defence of the customer.

"I believe that complaints that are handled well become a permanent source of benefits for our activity and a strong weapon for continuous improvement," said Emilio Domínguez, the director of CS.

Mr. Domínguez said that the complaints received during 2004 and set out in the section on the CS fell into four categories: those received directly from CS, those from the regulatory bodies, those via the Customer Ombudsman and those from consumer organisations.

"The total number of complaints rose 8% in 2004. For the first time in several years there was a significant drop in complaints received via the regulatory bodies, a slowdown in those from the Ombudsman and directly to the CS and an increase in those from consumer organisations."

"The type of complaints that rose the most were those regarding price and specifically for commissions. The

most common ones related to the maintenance and administration of accounts, complaints regarding debtor positions, the reimbursement of guaranteed funds, overdrafts and the availability of cash in different maturities."

"The most noteworthy aspects of other groups of complaints dropped overall or remained unchanged. For example, complaints regarding transactions were much lower than in 2003."

"In interaction/treatment, which includes complaints arising from relations with customers, of note was the decline in complaints relating to defective advice."

"In means of payment we include the specific reasons for complaints in cards. The main problems arise from theft, robbery, cloning and fraud."

"Lastly, as regards complaints about the physical environment of branches/transfers the number is hardly 1% of the total."

"In 2004, the CS ruled in favour of customers in 44% of the cases. This percentage has been gradually rising (35% in 2003 and 38% in 2002). The total number of customers who exercised their rights of access, opposition, correction or cancellation of personal data under the Personal Data Protection Law was 159."

"The measures taken by the Group are aimed at efficiently resolving complaints, as we believe that customer satisfaction is a factor that determines the generation of stable income over the long term."

### Resolution of complaints to the Bank\* in favour of the customer

	2004	2003
Customer Attention Service	44%	38%
Customer Ombudsman	55%	58%
Bank of Spain	20%	42%
National Securities Market Commission	18%	14%

\* Banco Santander Central Hispano

## Complaints

		2004	2003	2002
Spain	Santander Central Hispano	14,852	13,752	10,277
	Banesto	2,121	3,214	5,262
Portugal		9,290	6,728	6,335
Germany		1,142	509	231
Brazil (including consultations)		199,482	64,684	64,672
Chile		61,784	60,442	13,624
Mexico*		194,019	-	-
Colombia		32,517	38,639	42,267
Puerto Rico		30,449	38,178	29,939
Venezuela		141,571	167,605	173,980
Argentina		123,737	81,953	95,984

\*In 2004, for the first time, the complaints of all of Grupo Santander Serfin were recorded.

At Santander Banespa, in Brazil, the consultations received by the Support Centre and agencies, and previously classified as such, began to be sent to the Solutions Centre, where they are now classified as complaints. This explains the substantial rise in their number.

At the moment only one in five of the Bank's networks is centralised, which means a rise of 1,700 complaints a month. When the other networks are centralised, in May 2005, the number of complaints a month is forecast to rise by 5,500.

The complaints at Santander Santiago rose because of the greater recording of them thanks to the CS, to which must be added the exceptional rise in April because of the change in Chile's rules regarding taxes on mortgage certificates.

Santander Colombia achieved a drop in the number of complaints as a result of the proactive attention given to customers' needs, the adjustments made to the different information systems, the management of the main causes of the complaints and the new customer attention model.

Santander Puerto Rico's improvement was due to a significant decline in the number of complaints related to withholdings in Santander Express Visa cards,

although the area of bank cards continued to receive the largest number of complaints, followed by consumer loans and problems in transactions reported.

Banco de Venezuela reduced the total number of its complaints, most of which were due to cash dispenser transactions.

The rise in the number of complaints at Banco Río, Argentina, was largely due to the incorporation of circuits linked to SMEs and to new campaigns, as well as the increased number of products sold.

### Emergency plans

Both the Bank's buildings and its branches have instructions on what to do in emergency situations. These instructions include, among other aspects, evacuation systems in collaboration with employees.

Different levels for the development and documentation of the rules are established on the basis of the complexity, features and those who occupy each building.

Training courses in these matters have been given in all work centres (at Ciudad Grupo Santander by more than 300 professionals).

## Launch of new products

Innovation in products and services is part of the Group's strategic vision. The products and services must be technically consistent, legally correct and tailored to the profile and real needs of customers.

### New Products Committee

Grupo Santander's Global Committee of New Products has been operating since 1999 and during 2004 it held 11 meetings at which 70 products or families of products were reviewed.

Seventeen of the Bank's business and support areas participate in the committee, which reviews the new products or services launched by any entity of the Group. If a product or service is to be launched in a country other than Spain, it has to be first approved by the Local Committee of New Products, whose structure is similar to that of the Global Committee.

Santander Central Hispano, Banesto and Banif have a Manual of Internal Procedures developed after voluntarily adhering to the Procedures Guide for the marketing of investment products approved in June 2003 by the National Securities Market Commission. In the case of Santander Central Hispano, this manual endows it with a supervision and control structure – the Office of the Procedures Manual – which has to present a report every year to the Executive Committee.

### Socially responsible products

Grupo Santander has two products which enable customers to make a socially responsible investment (i.e. in accordance with ethical values, and benefiting society via non-profit making entities). They are both mutual funds, Santander Responsabilidad FIM, launched in 2003, which invests in accordance with the values of the Catholic Church and Santander Solidaridad FIM, which, since 1999, invests on the basis of the principles of 22 NGOs (who receive 40% of the commission).

Grupo Santander also provides opportunities for its customers to collaborate in marketing actions based on a particular cause.

## Noteworthy products in 2004

In Spain, Santander Central Hispano launched the "Superoportunidad" mortgages (EUR 11,700 million of new loans) and the "Tarjeta Única", developed in collaboration with the Repsol Auto club and which was well received.

Banesto launched the "Cuenta Tarifa Plana" in October 2004. This offers savings in commissions of up to 60% compared to Spain's seven main commercial and savings banks.

Santander Totta, in Portugal, launched the "Puntos Simpáticos" campaign, backed by the promotion of other products such as the "Super Simpático" mortgage, payroll accounts and savings certificates. It is based on a system of points assigned when various products and services are subscribed. These points make customers eligible for prizes and a weekly lottery. The "Light" card was also relaunched, with its usual features – low interest rate, annual free fee, security system and theft – along with a new campaign – discounts of 10% of the value of returnable purchases on hotel vouchers.

Santander Banespa, in Brazil, launched three insurance products for agriculture which cover any incident that could damage crops, and a Borrower Insurance. It also launched a new mutual fund ("Fondo Multiretorno") and "Dinheiro Extra", a loan for civil servants in the state of Sao Paulo.

The "Crédito Ágil PYME" launched by Santander Serfin in México is a credit line that meets any needs that a customer has in their business. This product is completed by the "Tarjeta Black", car insurance and the Payroll Product.

Santander Santiago, Chile, launched three new insurance products, a consumer loan, a mortgage and the "Tarjeta Compra".

The main new products of Santander Puerto Rico were personal loans, the "Master Card Oro" and the integral account for SMEs ("TodoNegocios"). Santander Venezuela launched "Ahorro Global", a series of remunerated savings accounts.

Research, development and innovation, R+D+i

## Technology is fundamental for developing Santander's management model

Technology is a key element for achieving greater efficiency and, at the same time, providing a quality service to our customers.

The Group has defined a set of measures centred on installing integrated transactional systems, which recognise the relationship that each customer has with the Bank in all products and services, in order to attain:

- A full picture that enables us to efficiently exploit the large customer base of 63 million people.
- A sustained reduction in operating costs which will continue over the next few years thanks to the flat back office model.
- The capacity to provide our customers with excellent products and services.
- A strong improvement in accounting control and risks.

The installation of Partenón in all the branches of the Santander Retail Network will be completed in 2005.

Partenón is the platform of transactional systems that was first developed and fully installed in Banesto. Its special feature is that it is managed with company software criteria, via the ISBAN subsidiary.

This provides the advantages of producing quality programmes and contributing cost savings as it can be reused in other countries and units of the Group.

Partenón is the base for our strategy of generating value in transactional operations and this was raised during the process of acquiring Abbey.

In Latin America, Altair is the platform for the Group's banks. The tests were completed during 2004 in Brazil (assets), as well as the operating modules for means of payment (PAMPA), mutual funds and cash-management.

We continued to develop the New Management Model of Technology, which was fully installed in Mexico and Chile. In both countries, all the technology services are provided by the Group's specialised subsidiaries: ALTEC Chile and ALTEC Mexico.

### The Group's Technology and Systems Project

The Group's Technology and Systems Project was launched in 2004. The Board approved this project in December 2003, with the goal, as expressed in the 2003 Annual Report, of "boosting efficiency and improving service, making technology a source of competitive advantages."

In order to achieve this, the post of Global Head of Technology was created, a Technology Strategy Committee was established, headed by the CEO, and five main lines of activity were set:

1. Drawing up and managing budgets at the corporate level.
2. Corporate policies and architecture.
3. Corporate projects.
4. Corporate Services Centres.
5. Corporate model of technology management.

Of note among these activities were:

- The launch of the corporate Intranet project which will unify the Group's internal communication space
- Consolidation of Internet strategies
- The launch of a corporate strategy
- The BIS II project, whose objective is to install the advanced risk management models envisaged in Basel II
- Consolidation of the corporate software management strategy in ISBAN, following global scope agreements with IBM and Chordiant to develop Banksphere as the Group's future architecture
- Consolidation of the strategy of corporate centres, with the creation of ISBAN Portugal and ISBAN UK for development services in Europe, as well as consolidation of the strategy of service companies in Latin America
- The Alhambra project was launched in 2004, which will fully computerise business processes. The first applications are being installed in Banesto

In short, technology represents a clear competitive advantage, both from the standpoint of efficiency as well as contributing value added to business.

### Publicity: adherence to voluntary codes

In order to make publicity a useful instrument, and look after the rights of consumers and users and not be unfair to competitors, the banks that comprise Grupo Santander adhere to voluntary codes of conduct in publicity, which set out a series of commitments to ethics and transparency.

By using these systems of self-regulation, the Group voluntarily assumes the commitment to guarantee to society a rigorous and ethical approach in commercial communication. It adopts rules that promote ethical and responsible behaviour in publicity to the benefit of consumers, the industry itself and society in general.

In 2004, no actions were taken against the Bank for its publicity or information on products.

In Spain, the Bank is a member of the Spanish Association of Advertisers and it meets the legal requirements regarding publicity and commercial communications. It is also a member of the Association for Self-Regulation in Commercial Communication (Autocontrol) and adheres to the association's Advertising Code of Conduct and to the Ethical Code of Electronic Commerce and Interactive Publicity (Confianza On-line).

Grupo Santander companies, because of their special activity, also adhere to specific codes of conduct on publicity, such as that of Inverco on collective investment.

Santander Totta, in Portugal, complies with the declaration of common principles and rules of good practices of the Civil Institute of Self-Discipline in Publicity and of the European Advertising Standards.

Abbey, in the United Kingdom, adheres to the main regulatory bodies for publicity, such as the Advertising Standards Agency, which develops the following codes: The British Code of Advertising, Sales Promotion and Direct Marketing, Television Advertising Standards Code and Radio Standards Advertising Code; and the British Advertising Clearance Centre. It also follows the Direct Marketing Association Code of Practice. Abbey also meets all the legal requirements emanating from the guidelines issued by the UK's regulatory entities: Financial Services Authority, Office of Fair Trading,

Trading Standards Office, Banking Code Standards Board and Financial Ombudsman Service.

Santander Banespa is a member of the Brazilian Association of Advertisers (ABA), while in Chile, Santander Santiago is a member of the National Association of Advertisers (ANDA), whose companies adhere voluntarily to the Code of Ethics in Publicity, regulated by the National Council of Self-Regulation in Publicity (CONAR).

In Puerto Rico, the Bank is regulated by strict state and federal laws, and in Venezuela it is a member of the National Association of Advertisers (ANDA).

### Prevention of money-laundering

Grupo Santander recognises the importance of combating money-laundering and the financing of terrorism, elements that affect essential aspects of society.

These commitments are met via the establishment of internal rules and procedures that tend to ensure financial activity is developed in accordance with rigorous deontological rules and the prevailing laws; to implement ways to act and control and communication systems, in order to prevent the Group's units from being used for money-laundering and/or the financing of terrorism; and guarantee that all employees observe the corporate policies and procedures.

The main elements of the Group's system to prevent money-laundering are:

- institutional support, involving all levels
- internal rules more demanding than the official standards
- transactions examined by those who know the customer
- rigour and depth when investigating suspicious operations
- systematic and constant reviewing of the subsidiaries abroad
- support for the Internal Auditing Area and for the Training Department
- anticipating risk situations
- priority given to prevention over business interests



## Internal organisation

Every country has an Analysis and Resolution Committee (ARC) which guarantees that corporate policies are implemented and makes decisions about informing the respective authorities of suspicious operations. The global policies are designed by Spain's ARC, headed by the General Secretary and of the Board which includes representatives from all business and operating divisions, and is responsible for supervising the development of the prevention system throughout the world.

Each country also has a Money-laundering Prevention Unit (MPU), which is responsible for maintaining and developing the prevention system in its sphere. The Central Department of the Prevention of Money-laundering, based in Spain, is responsible for supervising the correct working of the MPUs.

- More than 300 Grupo Santander professionals are devoted to preventing money-laundering, more than half of whom do so full time
- 54,122 employees received specific training on how to prevent money-laundering and/or the financing of terrorism
- 20,637,296 operations classified as sensitive to money-laundering were examined.
- The MPUs investigated 13,284 operations
- A total of 2,823 operations were communicated to the authorities of the countries where the Group operates.

## Awards and recognition

### Spain

#### Santander

- Santander Central Hispano chosen as the best Bank of the Year by *Euromoney* and *Global Finance*.
- The company with the best information on corporate social responsibility in its 2003 Annual report, awarded by Fundación Empresa y Sociedad, to Grupo Santander.
- Special mention for best corporate governance practices in 2003, awarded by Fundación Estudios Financieros to Grupo Santander.
- Prize for its Formavia training portal, *Expansión & Empleo* prizes for innovation in human resources awarded to Grupo Santander.
- Favorito Prize for the best website of a Spanish bank, awarded by the *Expansión* daily newspaper.
- Empresa Solidaria Prize, awarded by Codespa Foundation to Grupo Santander.
- Special mention for environmental policy, awarded by Garrigues-*Expansión* to Grupo Santander.
- The US magazine *Institutional Investor* awards Grupo Santander's Investor Relations department its prize as the best Spanish company and the best European financial institution in relations with analysts.

## Banesto

- Standard & Poor's prize for the best team of analysts.
- Best financial company to work for in Spain, awarded by *Actualidad Económica* magazine.
- Banespyme, among the 10 Best Ideas of the Year, awarded by *Actualidad Económica* magazine.

## Santander Universities

- Prize for social and cultural action awarded by the Spanish Committee of Representatives of the Disabled (CERMI) to the Miguel de Cervantes Virtual Library.
- Galardones Juventud prize awarded by the Madrid regional government to the Universia portal.
- Bip Bip Solidarity Prize, Miguel de Cervantes Virtual Library.

## Portugal

- Both the Portuguese magazine *Exame* and the UK magazine *Euromoney* awarded Santander Totta their prizes for the Best Bank in Portugal. Stock Award Prize for the Best Financial Company awarded by the daily newspaper *Jornal de Negocios*.

## United Kingdom

- Best Bank for first time buyer mortgages, Abbey, awarded by the magazine *What Mortgage?*
- Gold Prize for Abbey for its retirement Tailored Solutions campaign, awarded by the Institute of Sales Promotion and the Silver Prize for Abbey for its Made to Measure, Designed to Deliver campaign, awarded by the European Promotional Council for Brand and Communications.

## Argentina

- Corporate Social Responsibility Prize and Annual Award of the Chamber of Commerce of Argentina in recognition of Banco Río's corporate social responsibility programme.

## Brazil

- Corporate Social Responsibility Prize awarded by *Racine* to Santander Banespa.
- "Sello de Empresa Ciudad 2003" of the Sao Paulo Chamber of Commerce, in recognition of CSR activities.
- Solidarity Medal for CSR and for contributing to the Social Solidarity Fund of the state of Sao Paulo awarded to Santander Banespa.

## Chile

- Best Bank in Chile prize awarded by *Euromoney*.
- Corporate Social Responsibility prize and Good Corporate Citizen (AMCHAM, Chile).
- Best company in corporate governance, Santander Santiago, awarded by *Euromoney*.

## Mexico

- Jorge Martínez Anaya National Prize for the Intelligent Building awarded to Santander Serfin Technology Centre, Querétaro. Certificate for quality and availability, Technology Centre, Querétaro, ICREA, Santander Serfin.

## Puerto Rico

- Federal Act reinvestment in the Community, only entity with the highest certification of the government.

## Venezuela

- Best bank in Venezuela, awarded by *The Banker* magazine.
- Best on-line personal bank, awarded by the *Global Finance* magazine.

## Structural capital and business indicators

Structural capital	2004	2003
<b>Customer support</b>		
Number of branches	9,973	9,206
Number of portals (internet) for customers	132	148
Number of calls/day tended by internal users*	18,257	50,717
Number of debate forums established in Intranet	174	77
<b>Technology and quality of processes</b>		
Number of computers per employee/branch	1/10	1/8
Percentage of employees with access to Intranet/e-mail	96/99	96/99
Processing capacity (Mips en central host)	44,562	45,697
Capacity of storage (Terabytes)	1,497.18	2,486.48
Monthly number of pages consulted in Intranet**	21,310,274	65,422,449
Monthly number of pages consulted in Internet	77,409,690	68,142,156
Number of ISO-9000 certifications	78	104
<b>Product technology</b>		
Number of products and services (catalogue)	14,702	13,315
Number of new products and services developed	3,240	3,248
Number of "internetized" processes (work processes incorporated to the website)	884	1,000
<b>Business Capital</b>		
<b>Customer support</b>		
Number of customers in Telephone Line***	5,373,957	4,362,114
Number of on-line banking customers	2,980,187	2,750,988
Number of credit cards	15,089,423	12,188,926
Number of debit cards	19,008,018	11,733,345
Savings books with magnetic band for self-service	7,095,168	6,819,157
Average number of years as a customer	6.07	5.95
Global satisfaction index of individual customers (1-10)	8.03	8.08
Global satisfaction index of corporate customers (1-10)	7.63	7.67
Number of complaints received in the customer attention units of the different banks	810,964	475,704
Number of publications for customers	147	121
Number of publications for shareholders	8	7
Number of publications for employees	74	86
<b>Intensity, collaboration and connections</b>		
Number of new customers	4,829,352	4,809,633
Number of telephone calls tended to	165,648,610	115,441,840
Number of operations conducted over the telephone	195,207,297	116,603,219
Accessibility level of Telephone Banking (%)	94.85	82.94
Percentage of customers satisfied with telephone banking	92.50	72.01
Number of transactions conducted by Internet	434,700,431	230,609,863
Number of electronic banking customers client-server (direct transfer of data by companies)**	791,825	1,630,554
Number of transactions conducted by electronic banking	267,355,580	301,383,791
Average number of employees per branch	8.97	8.64

\* Brazil unified the metric criteria in 2004 with the rest of entities

\*\* Operational change in Brazil which simplified the number of consultations and transmissions

\*\*\* Criteria were brought into line in Brazil, Chile, Puerto Rico and Mexico in 2004

# Shareholders



Santander's capital stock, represented by 6,254,296,579 shares, was distributed among 2,683,317 shareholders at the end of 2004.

## Reader's guide

Shareholders by type	36
New shareholders	36
Attention and service channels	37
Shareholders' Area	37
Investors' Relations Area	37
Corporate website	38
Products	38
Dividend reinvestment account	38
Young Shareholder Plan	38
Special offers for shareholders	38
Shareholders resident in the UK	39
Share price performance	39
Return on the share	40
Stock market indices	41



2,685,317 Shareholders

1,609,584 new shareholders  
in 2004

41 % of shareholders  
in the Dividend  
Reinvestment Plan\*

\*Shareholders who live in Spain



6,254  
million shares

91.24 %  
in Europe

8.67%  
in Latin America

0.09%  
in the rest of the world



9<sup>th</sup> world's largest bank  
by market capitalisation

Largest bank  
in the Euro zone  
by market capitalisation

EUR 57,101.7 million market  
capitalisation  
(31/12/2004)





## Our commitment

### Creating value, equal treatment and dialogue:

Grupo Santander's commitment to its shareholders has two basic pillars: creating value over the long-term and maximum transparency. We also strive to give our shareholders equal treatment, to strengthen channels for dialogue and make them more fluid, and to encourage their involvement.

## Scale

Shareholders:	2.69 million
Individual shareholders:	98.71%
Institutional shareholders:	1.29%
Share appreciation over the last 10 years*:	370.07%

### Geographic distribution of capital stock:

Europe	91.24%
Latin America	8.67%
Rest of the world	0.09%

## Main actions in 2004

- Elimination of the requirement to hold 100 shares before being able to attend Shareholders' Meetings
- The corporate website was brought into line with the new rules regarding transparency
- Increased contacts and direct meetings with shareholders and investors
- First Meeting held with participation by electronic means

## Objectives in 2005

- Develop the Shareholder Service Office in London
- List on the London stock market
- On-line Shareholders' Meeting

\* On the basis of the annual reinvestment of dividends collected during the year at the year-end share price. Splits, the return of nominal value and capital increases are also included, but not the disbursement by shareholders of additional cash to that when the shares were acquired.

## Shareholders

## Shareholders by type

## Distribution of capital stock by blocks of shares

	Shareholders	Shares	% of capital stock
1-200	1,708,553	172,647,489	2.76
201-1,000	677,700	350,455,552	5.61
1,001-3,000	187,395	316,445,014	5.06
3,001-30,000	103,417	800,096,743	12.79
30,001-400,000	7,604	562,421,067	8.99
More than 400,000	648	4,052,230,714	64.79
<b>Total</b>	<b>2,685,317</b>	<b>6,254,296,579</b>	<b>100.00</b>

## Distribution of capital stock by ownership

	Shares (millions)	%
Board of Directors*	263.59	4.21
Employees**	50.90	0.81
Institutional	4,373.24	69.92
Individuals	1,566.55	25.05
<b>Total</b>	<b>6,254.29</b>	<b>100.00</b>

\* The Board at 31.12.04, direct and indirect shareholdings and shares represented

\*\* Excluding the Board

The shareholdings of Board members in Banco Santander Central Hispano is shown in the Annual Report.

## New shareholders

## Santander is the world's ninth largest financial institution by market capitalisation

Following the incorporation of Abbey's shareholders, Grupo Santander is the world's ninth largest financial group by market capitalisation with 2.69 million shareholders at the end of 2004.

The market's confidence in the Santander share was reflected in the recommendations of analysts around the world to buy the share. Purchases more than offset the sale of shares by some investors with investment restrictions in the euro.

## Shareholders' Office in London

Given the large number of UK shareholders, Grupo Santander has created a Shareholders' Office in London.

This office uses the same communication channels as those in Spain, in accordance with the same criteria of excellence, quality and personal attention. The aim is to achieve the same degree of satisfaction and loyalty.

Between November 15 and the end of 2004, almost 5,000 e-mails and over 3,500 letters from shareholders were received, and the Shareholders' Helpline tended to more than 133,000 calls.

At the beginning of 2005, individual meetings and forums began to be held in order to provide personal treatment to these shareholders.

## Attention and service channels

The main attention and service channels for shareholders are the Shareholders' Area, the Areas of Investor Relations department and the corporate website.

The Group's chairman, Mr. Emilio Botín, continued to foster dialogue with shareholders by sending them two letters, one inviting them to make suggestions or proposals on how to improve the Bank and raising them at the Shareholders' Meeting in June 2005, and the other to welcome the recently incorporated shareholders of Abbey.

### Shareholders' Area

The Shareholders' Area is solely concerned with shareholders, regardless of whether they are a customer or not. Following the incorporation of Abbey's shareholders, this area tends to 2.69 million shareholders. Moreover, in order to improve the service for UK shareholders, a Shareholders' Office was established in London.

The aim of all the Area's activities is transparency, with clear, complete and quality information, personalising communications and anticipating the recommendations of the regulatory bodies.

The Shareholders' Area also helps shareholders to communicate with the Group, through:

- The e-mail box [accionistas@gruposantander.com](mailto:accionistas@gruposantander.com) was used in 2004 by around 7,000 shareholders. Every day or week an e-mail is sent to more than 34,500 shareholders giving detailed information on the markets' performance.
- The Shareholders' Attention Line (902 11 17 11) is an interactive service in real-time which enables a shareholder to conduct many operations, such as accessing and changing their registry data, opening securities' and dividend reinvestment accounts or buying and selling shares. It also provides answers to questions asked and handles any request for information, documentation and publications. Around 30,000 shareholders used this service in 2004.

- Individual meetings and forums are mechanisms for shareholders to obtain information on the Group. In 2004 meetings were held with 238 shareholders and 75 forums were organised around Spain which were attended by 926 shareholders.

The Shareholders' Area attaches particular importance to personally dealing with shareholders and transmitting their feelings to the Board, as well as channelling suggestions to relevant parts of the Group.

### Investor Relations Area

- 40 financial and stock market analysts publish reports on the Santander share.
- More than 780 institutional investors, holding 30% the capital stock, play a key role in the share's liquidity and price-setting.
- 843 meetings were held with investors, analysts and rating agencies as well as investors specialising in social responsibility (SRI).

The main aim of the Investor Relations area is to provide standardised information to the institutional market with basic documents – Annual Report and quarterly reports and via presentations of the quarterly results and others on specific issues.

The corporate website is another channel for disseminating significant news. Information is also sent to the rating agencies to help them continuously monitor the Group's credit risk.

Another of its functions is to hold meetings with institutional investors and with analysts who follow the Santander share, in order to transmit business trends and the Group's strategy.

The central services in Madrid coordinate activity. There are also specialised areas in some of the Group's banks, particularly in those that are listed in their respective countries, such as Banesto in Spain, Santander Santiago in Chile and Santander Puerto Rico.

Of note among the Area's activities in 2004 was the communication effort with the markets in order to successfully complete the acquisition of Abbey. Most of its institutional shareholders were in the UK and in the US. A presentation was held in London on July 26, 2004 and another on September 15 to highlight Grupo Santander's experiences in previous acquisitions.

The Area made a special effort to coordinate with its counterparts in Abbey in order to facilitate knowledge of its businesses to analysts who cover the Santander share and who, as of 2005, will be covering the whole Group including the subsidiary in the UK, with its special institutional and accounting features.

### Corporate website

Grupo Santander's corporate website ([www.gruposantander.com](http://www.gruposantander.com)) was adapted during 2004 to the latest legal requirements, and more information is provided, particularly on corporate governance.

In addition to the Annual Report on Corporate Governance, the website includes the corporate by-laws, the Regulations of the Shareholders' Meetings, the calling of Meetings with the relevant documents and information and the mechanisms to exercise the rights of information, delegation and voting (including by electronic means), the Regulations of the Board, the last Annual Reports, the Code of Conduct in the Securities Markets and the General Code of Conduct.

Computer systems to help people with sensory disabilities access the website more easily are being developed. The structure of information for shareholders is as follows:

- Grupo Santander
  - About the Group
  - Financial Services
  - Commitment to society
  - Press room
- Information for Shareholders and Investors
  - General Information
  - Economic and Financial Information
  - Corporate Governance

## Products

### Dividend reinvestment account

The Shareholders' Area of Grupo Santander makes available to shareholders a range of products in advantageous conditions, including the Santander Central Hispano Dividend Reinvestment Plan.

This plan gives shareholders, who live in Spain, the option to reinvest the dividends received from the Bank's shares. The special features of the plan enable investment in the Bank's shares to grow automatically and in the most advantageous way.

The shareholders in the plan enjoy the benefits of the Santander Central Hispano Special Account where the net dividend is paid, with no charges or commissions. This account, given the purpose of the reinvestment, only accepts three types of movements: payment of dividends from the Bank's shares which are reinvested in shares of the same entity, the accrual of interest in favour of the shareholder holding the account and the sum debited for reinvestment in the Bank's shares.

### Young Shareholders Plan

Linked to the Santander share and aimed at the youngest shareholders, as a savings/investment alternative in Santander shares.

### Special offers for shareholders

Santander Share Card. Different types of an American Express card with many advantages, including paying half the annual fee for life, automatic inclusion to the Membership Rewards Club programme and the possibility of access to various gifts.

Insurance. Shareholders of Santander Central Hispano enjoy a medical insurance in exceptional conditions, a totally free individual accidents insurance policy, and a wide range of offers in the rest of the Group's insurance products.

Promotions. During 2004 various promotions were carried out related to health, photography, wines and delicatessen products.

## Shareholders resident in the United Kingdom

As a result of Banco Santander's acquisition of Abbey, the following products are available for the Bank's shareholders resident in the UK, whose shares are deposited in the Bank's nominee service:

### 1. Shareholder Account

This enables shareholders to invest the dividends from Santander shares in an account specifically allocated for acquiring an additional number of shares\*. Only dividend credits are accepted and the remuneration is at a gross AER\*\* of 10%. The balance will be allocated, as of August 2005\*\*\*, to buying further Santander shares.

### 2. Free Accident Insurance Policy

All individual shareholders of Santander\* resident in the UK automatically benefit from free coverage for accidents of up to £100,000 offered in collaboration with Norwich Union.

### 3. Credit card

Shareholders have two options:

- The Transfer Card of Shareholders free of charge for amounts transferred to Abbey during the 12 months

from the opening of the account, and an annual interest rate of 15.9% APR (variable) for purchases.

- The Flat Rate Shareholder Card which gives the holder a flat annual interest rate of 8.7% APR (variable) for purchases made with the card, transfers and cash and cheque withdrawals.

## Share price performance

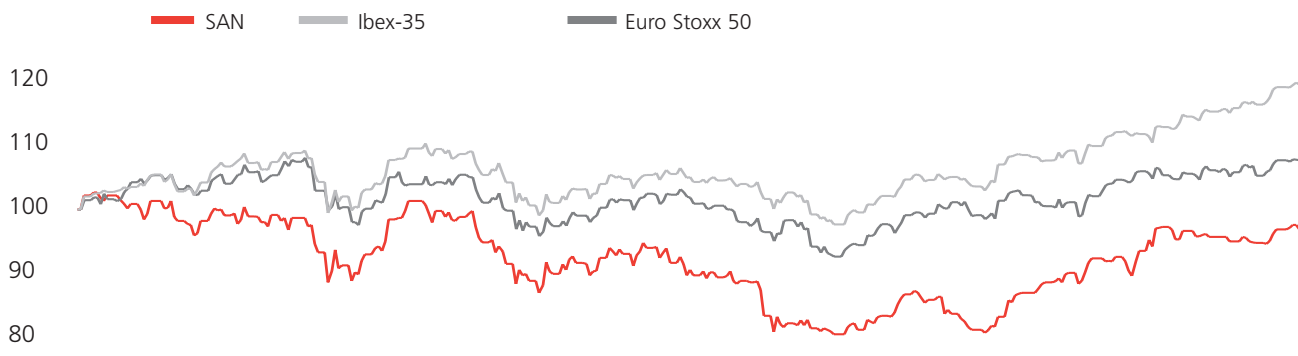
The share price underperformed the market as a whole during the first part of the year because of the volatility in both the Spanish and international markets and the uncertainty created by a possible bid for Abbey and the possible diluting effect of such an operation in the short term.

The share rose 16.16% in the fourth quarter compared with 5.13% by the FTSE Eurotop 100 and 8.25% by the Dow Jones EuroStoxx 50, reflecting the success of the bid and investors' recognition of the possibilities of creating value in the medium and long term as a result of the integration of Abbey.

The Santander share ended 2004 at EUR 9.13, up from EUR 7.86 at September 30, 2004.

## Comparative share price performance

December 30, 20'03 to December 30, 2004



\* Investment in Banco Santander Central Hispano (Banco Santander) is electronically reflected in Banco Santander CREST Depository Interests (CDIs) in the name of Lloyds TSB Registrars Corporate Nominee Limited. We use the term "share" for CDI.

\*\* AER means Annual Equivalent Rate and it is the interest rate applied and paid yearly. The gross interest rate is paid before taxes and yearly or quarterly. Quarterly interest rates will be facilitated on request. The rates are fixed until August 1, 2005. Cancellation of the account can entail a penalty.

\*\*\* Shareholders will have the opportunity to participate in a dividend reinvestment plan with the first reinvestment on August 1, 2005.

## Return on the share

If the proposal to be submitted to the Shareholders' Meeting is approved, the direct remuneration in the form of dividends charged to 2004 earnings will be EUR 0.3332, distributed in four quarterly payments of EUR 0.083 per share for the first three, already paid, and EUR 0.0842 per share for the fourth (as of May 1).

Holders of the new shares issued in November 2004 in exchange for Abbey shares receive the third and fourth dividends (an extra EUR 248.4 million allocated to dividends).

The return on the Santander share - on the basis of reinvestment of dividends and capital increases – is one of the highest in the past 10 years.

The table below shows that EUR 10 invested in December 1994 was worth EUR 47 at the end of 2004, a cumulative return of 370.07% (16.74% a year).

### Cumulative return on the Santander share

%

	Year of exit									
Year of entry	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1994	24.79	74.80	226.58	276.83	406.38	422.82	342.51	218.76	369.73	370.07
1995		40.07	161.70	201.96	305.78	318.95	254.60	155.44	276.41	276.68
1996			86.83	115.57	189.69	199.09	153.15	82.36	168.72	168.92
1997				15.38	55.05	60.09	35.50	(2.39)	43.83	43.93
1998					34.38	38.74	17.43	(15.41)	24.65	24.74
1999						3.25	(12.61)	(37.05)	(7.24)	(7.17)
2000							(15.36)	(39.03)	(10.15)	(10.09)
2001								(27.97)	6.15	6.23
2002									47.36	47.47
2003										0.07

Note: On the basis of the annual reinvestment of dividends collected during the year at the year-end share price. Splits, the return of nominal value and capital increases are also included, but not the disbursement by shareholders of additional cash to that when the shares were acquired.



Stock market indices

The Santander share is traded on Spain's four stock markets via the continuous market and in New York, Milan, Lisbon and Buenos Aires, and it forms part of the Ibex-35 index of the Madrid Stock Exchange and the EuroStoxx 50. Market capitalisation stood at EUR 57,101.7 million at the end of 2004.

Grupo Santander remained during 2004 in the main

corporate social responsibility indices, such as the Dow Jones Sustainability Index and the FTSE4Good.

It also formed part of the new series of corporate governance indices, the FTSE ISS Corporate Governance Index, prepared by FTSEE and ISS (Institutional Shareholders Services), with its presence in the two main indices (FTSE II Europe CGI and FTSE ISS Euro CGI).

As regards the evaluation by Sustainability Asset Management (SAM, the firm which appraises the economic, social and environmental indicators of the different companies that aspire to join the Dow Jones Sustainability Indexes), Santander surpassed the average in all of the parameters. (See below)



# Employees

West façade, Pereda Building  
March 2005, Ciudad Grupo Santander

The Group's human resources management reflects the idea that in a services business, such as banking, the most valuable asset are employees, their capacity, skills and commitment

## Reader's guide

Our employees by type	46
Human resources strategy	46
Executive Resources Management Model	46
Diversity and rights	47
Selection and pool of jobs	47
Internal work market	47
New corporate training and development centre	48
Remuneration policy	49
Security and health in the workplace	49
Services and benefits for employees	49
América Camina	50
Reconciling working and personal lives	50
Equal opportunity	51
Labour relations	51
Training and development	52
Main institutional programmes	52
Plans to support business goals	52
Training hours per employee	53
Career development data and quality of training actions	53
Internal communication	54
In-house publications	54
Conventions	54
Pilot Intranet programme	54
Employee attention lines	54
Work satisfaction survey at Ciudad Grupo Santander	55
Ciudad Grupo Santander	55
Indicators	57





North access, Pereda building  
March 2005, Ciudad Grupo Santander

66,262 men

60,226 women

Average age 37.85 years

Average longevity 10.45 years



Italian restaurant  
March 2005, Ciudad Grupo Santander

45.36 % with degrees\*

62.22 % with variable remuneration

\* Excluding Abbey

126,488

Employees

68,167

in Europe

57,156

in Latin America

715

in other countries

"La Tienda" multipurpose shop  
March 2005, Ciudad Grupo Santander



## Employees

## Our commitment

### Relationship, training, communication:

Grupo Santander provides its 126,000 employees with many opportunities to advance their professional careers, and promotes the creation of a working environment that reconciles working and private lives.

## Scale

Number of employees:	126,488
Average length of employment:	10.45 years
Average age of workforce:	37.85 years
% men/women:	52/48

### Group Banks with the largest number of employees (thousands)

Abbey	24,361
Santander Banespa	20,903
Santander Central Hispano	20,582
Santander Serfin	10,895
Banesto	9,668
Santander Santiago	8,751
Santander Totta	6,062

## Main actions in 2004

- Start-up of Ciudad Grupo Santander, where 6,500 people work, clearly underscoring the drive for innovation, productivity and team work
- Creation of the largest and most developed creche in Spain, with room for 400 children, at Ciudad Grupo Santander

## Objectives in 2005

- Establishment of the Executives Management Model, to develop and motivate the Group's 126,000 employees
- Creation of the Executive Resources Management Unit in order to promote actions that foster a very productive team
- Launch of the Corporate Training Centre at Ciudad Grupo Santander, as a corporate culture development centre

## Employees

## Our employees by type

## Distribution by Banks

Banks/Companies	Employees	% women	% men	% with degree
Santander Central Hispano, Spain	20,582	32	68	41
Banesto, Spain	9,668	31	69	55
Santander Totta, Portugal	6,062	39	61	33
Abbey, United Kingdom	24,361	64	36	18*
Santander Banespa, Brazil	20,903	50	50	58
Santander Santiago, Chile	8,751	45	55	44
Santander Serfin, Mexico	10,895	48	52	69
Santander Colombia	1,724	54	46	49
Santander Puerto Rico	1,622	64	36	48
Banco de Venezuela	4,376	58	42	34
Santander Argentina	3,973	36	64	20
Santander Consumer	5,234	55	45	35*
Other Institutions	8,337	51	49	35
<b>Total</b>	<b>126,488</b>	<b>48</b>	<b>52</b>	<b>45**</b>

\* Estimate

\*\* Excluding Abbey

## Human resources strategy

The Group's human resources management reflects the idea that in a services business, such as banking, the most valuable asset are employees, their capacity, skills and commitment.

Grupo Santander has 126,488 employees in more than 40 countries. The Group provides all of them with many opportunities to develop their careers, paying particular attention to their level of commitment, motivation and training. Indeed, 85% of employees were involved in training activities during 2004. We also strive to create a working environment that helps to reconcile professional and private lives.

A noteworthy feature of the Group's human resources policy is respect for diversity, with a management focus based on a local perspective. Most of the management teams are local employees. The development of international careers among executives and employees is also favoured. There are 511 people working for the Group outside of their country of origin. Of them, 177 come from Europe and 334 from Latin America. This is a policy that the Group will actively promote in the next few years.

Moreover, in 2004 the Group began to implement a new management model for executives.

## Executive Resources Management Model

The Board at its meeting on June 18, 2004 approved the Executive Resources Corporate Project, which will give priority to people and enhance the role of executives as the engine of change.

The project establishes a series of policies and principles (management model) which will help to create a very productive management team that is committed and able to motivate and manage employees and teams.

Five steps are being taken:

- Define the concept of Group executive, establishing a top level of a corporate character.
- Evaluation, remuneration and career systems for executives.
- Strengthen functional and geographic mobility.
- Creation of a unit specialised in managing the Group's executive resources.
- Creation of the Corporate Training and Development Centre at Ciudad Grupo Santander



and development of specific programmes for executives.

Systems and indicators to monitor and improve this model, including 360° evaluation, motivation and productivity surveys, and rotation indices in key posts, among others.

The new model will help to produce a management style that is consistent with the Group's business objectives and strategic vision.

### Diversity and rights

A noteworthy feature of the Group's human resources policy is that most employees work in their country of origin. This is underscored by the fact that only 57 Spaniards have executive positions in the Group's banks or companies in Latin America.

The core element of the policy is respect for diversity and indigenous cultures, and we believe the best way to tend to local interests is to do so from a local perspective.

Each country's rules regarding protection of human rights at work – no discrimination, freedom of association and collective bargaining, ban on employing children and forced labour and protection of ethnic minorities – are fulfilled in all the Group's banks and companies.

There have been no complaints against the Group for failing to meet these fundamental rights.

Our Human Resources departments ensure that employees' complaints are dealt with carefully and confidentially.

### Selection and pool of jobs

Grupo Santander, as a result of its extensive geographic presence and business diversity, is an entity that employs people in the countries where it operates, in any of its business areas and in different levels of responsibility.

In 2004, a total of 14,643 people, excluding Abbey, joined the Group or covered vacancies.

The objective is to employ the best professionals – in a framework of equal opportunity, respect for diversity and for indigenous cultures – in all the Group's entities and companies.

The selection procedures are based on established criteria which place the emphasis on employing those who are committed to the Group's vision and values: strength, dynamism, innovation and leadership.

As well as these criteria, the Group uses rigorous methodology and profiles defined in objective terms, such as training, experience, knowledge and skills. The overriding aim is to achieve the best person for each post.

In order to attract the best talent, Grupo Santander redesigned and adapted its employment portals to the latest techniques. They are available at the Group's webpages [www.gruposantander.es](http://www.gruposantander.es) and [www.gruposantander.com](http://www.gruposantander.com).

The new design enables both the Group as well as possible candidates to receive ongoing information on the performance of each selection process, guaranteeing their speed, reliability and confidentiality.

The total number of visitors to these portals was 206,934 and the number of available CVs is 53,904.

### Internal Work Market

Its objective is to establish an effective channel for providing career opportunities to all the Group's employees, including geographic mobility.

It is based on the principles of transparency, equality, efficiency and speed, key elements for combining the needs of the Group's units with the aspirations of its employees.

During 2004, 150 temporary international assignments were made, with an average of three years in the country.

## Training and development

# New Corporate Training and Development Centre



The new Corporate Training and Development Centre at Ciudad Grupo Santander in Boadilla del Monte, on the outskirts of Madrid, is already operating. Its basic functions are to transmit the Group's vision, objectives and corporate values, strengthen the leadership of executives and help achieve the business goals.

When it is fully operating, the centre will be able to take around 19,000 people a year, of which 3,000 will be involved in corporate projects.

The Centre has:

- 19 general meeting rooms (for 10 to 30 people)
- 5 computer rooms (each one for 10 people)
- A lecture theatre for 180 people
- 4 smaller lecture theatres, with room for 50 people each
- An auditorium for 1,000 people
- A hall for demonstrating the reactions of users to new applications or to contents of the Formavía on-line training portal
- Offices for interviews
- A modern library/media library
- Documentation service
- A hotel with 168 rooms, a restaurant and recreation rooms
- An area for the Training and Development Department
- An area for teachers

All the rooms have installed in them the most advanced audio visual resources (including plasma and wall screens, latest generation projectors, public-address system and simultaneous translation) which are controlled from a tactile panel that combines more than one resource in an easy way, and there is equipment for video conferences. They also have access to the Contents Manager, a multi-media tool that will contain all the documents needed for any training activity (audio files, videos, Power Point presentations, VHS,DVD, for example), without the need to install them in a computer in the hall.

The computer rooms have a remote system that will enable, in just a few minutes and at a distance, any training activity to be configured with any of the applications or tools used in the Group (Partenón, open operational systems, Patagón applications, among others).

The Centre revolves around three areas:

- Centre for the Development of Executives: forum for continuous training, participation and exchange of the best practices.
- Functional Schools: associated with the Group's main businesses and functions and in their development, with differentiated zones (Retail Banking, Auditing, Risks, Global Wholesale Banking, Asset Management and Corporate Processes).
- Integration Centre: for developing new ways to welcome, integrate, tutor and train new employees.

## Remuneration policy

The Group's remuneration policies aim for equal treatment of all employees on the basis of their productivity and level of responsibility and no discrimination for reasons of sex, race, beliefs or opinions.

The objectives are to keep and motivate the best employees, provide attractive pay packages for other professionals, ensure the career development of all employees and support the development of the different businesses.

The main criteria for designing these policies are transparency, value creation, alignment with the most motivating and attractive practices, the ethical conduct of our employees and strict compliance with the various labour and tax regulations. The policies focus on four basic elements: fixed remuneration, variable remuneration, profits and long-term incentives.

At the end of 2004 and subject to the approval of the Shareholders' Meeting to be held in the first half of 2005, the i-06 plan was launched. This is a long-term incentives plan covering 2,750 of the Group's executives throughout the world which will produce an additional incentive if the Santander share and net earnings per share rise by more than the average of 20 of the world's 29 leading banks.

Productivity is one of the watchwords of the remuneration policies. A new system for the individual defining of objectives and evaluation via Intranet was established in Spain for a group of executives. It uses the basic IT platform of the Group's human resources management. This system enables individual targets to be set for the more than 4,000 executives of the whole Group and to carry out more than 18,500 evaluations in Spain.

- In Spain, 5,400 employees received a merit increase over and above the salary agreement (productivity), which amounted to more than EUR 6 million.
- More than 1,700 employees in Spain were promoted in 2004 (more than EUR 4.5 million).

- EUR 3,012 million in wages and salaries in the Group, excluding Abbey.

## Security and health in the workplace

The Prevention Service, audited by an external company, continued to promote measures to improve security and health. In this environment, company representatives and employees examined issues related to health risks in the work place, evaluated work risks and planned preventative actions, self-protection and emergency plans, and training of employees.

As part of the Planning of Preventative Action, risks at work places continued to be assessed from time to time and recommendations and corrective measures proposed when risks were detected. These measures and their implementation were then monitored.

The health of workers was also tracked with physical examinations on a regular basis, in accordance with criteria, protocols and monitoring measures within a specific plan. The programmes for checking adaptation to stress and watching for, assessing and monitoring the impact on the health of workers who have been the victims of a robbery have been consolidated. There were also specific health campaigns, vaccination programmes, donating blood and health education.

Of particular note was the information provided on prevention of HIV/Aids. In those countries where this illness is high, such as Brazil, information and awareness campaigns are conducted among employees.

As regards training and information for employees, the corporate intranet has been boosted. This is the most used means for knowing about issues related to prevention of risks, security and health in the work place. Particularly noteworthy are the contents on looking after and promoting good health and ergonomics.

## Services and benefits for employees

Grupo Santander has a wide range of services and benefits for all its employees.

## América Camina



América Camina is a programme developed by the Latin America Division for employees and their families to walk the pilgrim's route to Santiago de Compostela during its jubilee year in 2004. Thanks to a very detailed agenda – transport, guide, accommodation, food, literature and planning – 1,200 people in 54 trips walked part of the route. Between February and the beginning of December, with a summer break of two months, two or three trips a week were organised.

They completed the French Route from Sarria, discovering art, foods, countryside, culture and the people of Galicia, the place of origin of many

immigrants who went to the countries from where our pilgrims made their journey. The 11 countries where the Latin America Division operates sent people. Of note was the number of delegations from Mexico, Venezuela and Argentina.

“An unforgettable experience” was the opinion of most of those who went to Santiago de Compostela. Everyone praised the living together, comradeship, good environment, the keenness to do well and the team spirit, particularly in their groups and, in general, with the other pilgrims on the route. Without a doubt, everyone will return.

Everyone enjoys special conditions in banking products and services, as well as in annual contributions of voluntary life, accident and disability insurance. There are also programme for buying the Bank's shares.

Santander Central Hispano, in Spain, has a Social Assistance Fund for employees, which spent EUR 1.26 million in 2004 tending to 7,834 of the 8,808 requests presented by employees and not covered by the Social Security, as well as helping the physically and mentally disabled.

The Bank collaborates with Fundación Deporte, Desafío which helps the disabled. Help was provided for the children of 186 employees. A skiing course adapted for the handicapped children of employees was held during 2004 and attended by members of their families.

Another initiative was the Bansander Club, which organises sporting and cultural activities for current and retired employees, their spouses and children.

Santander Santiago, in Chile, provides scholarships to the children of employees and for employees to study further. There are similar programmes in the Group's other banks.

In Argentina, Banco Río provided direct economic assistance to all employees with children up to the age of four attending kindergarten. The Bank also

contributed up to 70% of the cost of Masters and postgraduate courses for employees.

In Peru, the Bank provides medical and life insurance separate to that of the state. It also holds first aid courses and simulations of natural disasters.

### Reconciling work and personal lives

Grupo Santander continues to develop policies that help to reconcile work and personal lives. A good example of this is the new Altamira creche at Ciudad Grupo Santander in Boadilla del Monte (Madrid), with 400 places. Of the children currently attending it, 59% are the children of female employees, 34% of male employees and 7% couples who both work for the Bank.

Banesto, in Spain, has a programme of flexible hours and telework. Of those who work in the risks division, 15% are working at home.

Abbey, in the United Kingdom, provides its employees with a large number of measures for reconciling work and personal lives, such as a wide range of flexible work, the possibility of working half a day, shared work, working from home, as well as compressed hours and requesting leave.

Santander Santiago, in Chile, continued its Work and Family programme, “Trabajando Mejor”, which covers eight measures ranging from flexible

working days to compensation for nights not spent at home.

Santander Puerto Rico held its “Taller de Arte para Nuestros Hijos” for the fourth year running. This fosters relations between employees and their families. The children of employees enjoy a day painting under the auspices of the Puerto Rico Museum of Art.

Banco Rio in Argentina continued its Human Development and Creation of Value programme for employees and their families.

### Equal opportunity

The Group develops integration policies. In Spain, the Positive Action Plan was strengthened. This covers 29 measures aimed at guaranteeing equality in employment. This plan arose out of the adherence in January 2001 to the Optima Programme, sponsored by the European Commission and promoted in Spain by the Institute of the Woman, which recognises Santander Central Hispano as a cooperating entity in equality of opportunities for men and women.

The Positive Action Plan includes a scheme (“Buzón Idea Optima”) to send ideas and suggestions regarding equal opportunity.

Abbey has various groups responsible for fostering diversity among employees. There is also a group which gives employment to the handicapped and tries to create a favourable integration framework and ensure compliance with the law against discrimination of the handicapped. There is an agreement with the Employment Service for the Handicapped which guarantees the same conditions at work for disabled people.

In Brazil, the Group has a programme for people with disabilities and in Puerto Rico it complies with the legislation requiring a Programme of Affirmative Action. In Argentina, Peru and Bolivia, the Group has policies against discrimination and in favour of equality of opportunity.

### Labour relations

The XIX Wage Bargaining Agreement of the Banking Sector in Spain was in force during 2004. This regulates the relations between the banks and their employees.

Over and above the collective bargaining agreement, Grupo Santander continues to foster mechanisms for participation and dialogue with the trade union representatives. It has a Monitoring Committee consisting of senior management and representatives of the trade unions that signed the agreement, which analyses and resolves any problems that may arise regarding early retirements during the year.

As a result of the move to Ciudad Grupo Santander, an agreement was signed with the main trade union representatives regarding various benefits and services for employees, including transport, food subsidies, flexible hours and the school for infants. An agreement was reached in July to adapt, in the most ordered way possible, the representation mechanisms of employees at the Ciudad.

The Abbey National Group Union, registered with the Trade Union Congress, has been established at Abbey for more than 25 years. This trade union, which management meets with on a regular basis, is consulted over significant proposals regarding business.

In Brazil, Santander Banespa is implementing the collective agreement negotiated with trade unions by the National Federation of Banks.

Some 30% of the employees of Santander Serfin in Mexico belong to the trade union for the banking sector, with which the Bank has a fluid dialogue through joint committees on issues such as negotiating the collective agreement, internal promotion and security and health at work.

In Puerto Rico, where there are no trade unions with whom to negotiate collective agreements and other related issues, labour regulations are regulated by federal and state legislation, mainly the Legislation Protecting Workers and the Legislation on Employer-Worker Relations.

Labour relations in Argentina are regulated by the Law for the Contracting of Workers and, specifically in financial activity, by the Collective Labour Agreement. There are no specific agreements in companies.

In Peru, no company has signed collective agreements and there are no trade unions. The Bank, however, has a remuneration and benefits policy for all employees.

In Bolivia close to 10% of Grupo Santander's employees belong to the only trade union that exists. An annual collective agreement is signed covering aspects such as salaries.

### Training and development

- 84.7% of employees participate in training
- 3.8 million hours spent on training
- 37 hours on training per employee
- Total investment: EUR 44.1 million
- Investment in training represented 1.30% of the wage bill
- 65.47% of the total hours were dedicated to direct training
- On-line training represented 24.25% of the total hours
- 8.59 out of 10 on the level of satisfaction of the training received
- 6,662 new employees took part in integration programmes
- 6,461 students worked for a time in the Group

### Main institutional programmes

- 1,480 senior executives spent a total of 83,695 hours in 52 training programmes to strengthen their skills. (Of the total training hours of Santander Central Hispano, in Spain, 2.2% were dedicated to this group).
- 23.27% of the Group's training was assigned to supporting the installation of new operational processes and IT systems, such as Partenón in Spain.
- 54,122 people received training on Prevention of Money-Laundering.

### Plans to support business objectives by developing talent

#### Focused on developing talent:

Evaluation, identification and development projects: the objective is to generate continuous career development opportunities for those with the greatest potential. During 2004, 955 employees took part in high potential identification processes and more than 500 employees of the whole Group are undertaking individual development plans (a total of 23,493 hours). Of note were:

- Fourth edition of the Apollo Project to develop high potential employees in Retail Banking in Spain. It was started in 1999 and has so far involved 167 employees.
- Young employees with Executive Potential in Latin America: created in 1999, it held its ninth edition in 2004. Over the last four years 177 employees have participated, 83% of whom stayed with the Group. The objective is to develop and train via a programme of international and functional assignments.
- Plan to Identify and Develop High Potential Professionals in the Risks Area: 132 senior executives in the regional offices and central services participated.
- Plan to Identify and Develop High Potential Professionals in the Technology Area: 110 senior executives participated.



**Focused on career development:**

- Training plans linked to the career paths of employees from different collectives. The objective is to find the right person for each post and foster career development. So far 10,465 employees have participated (174,000 hours).
- Measures to attract, retain and develop the best professionals, including development of talented graduates. A total of 6,416 students worked in the Group and 92 graduates in postgraduate programmes.

**Focused on training to achieve business goals:**

- Continuation of the Advanced Training Plan in Investment Advice, focused on the business teams of the Santander Central Hispano Network and Banif in order to gain the accreditation of the European Financial Planning Association (EFPA) as a European Financial Advisor.
- Training plan on Treasury products (also accredited by the EFPA) aimed at professionals of Companies and Private Banking of the Santander Central Hispano Network.
- Launch of various versions of the II Master of Financial Agents.
- Abbey, in the UK, has a Training and Development Department which carries out many activities and courses for employees linked to the Bank's needs.
- Of note in Latin America is Santander Banespa, in Brazil, which is developing its Socially Responsible Management Project, which seeks to make employees aware of the relevant issues.
- Formavía: the Group's on-line training portal. This is an e-learning platform developed by Santander which is used by more than 70,000 employees and is installed in 19 of the Group's banks or companies. It is responsible for more than 50% of the training processes.

**Training hours per employee in 2004**

Banks	2004
Santander Central Hispano, Spain	32.59
Banesto, Spain	38.00
Santander Totta, Portugal	44.16
Santander Banespa, Brazil	35.94
Santander Santiago, Chile	34.61
Santander Serfin, Mexico	71.07
Santander, Colombia	33.66
Banco de Venezuela Grupo Santander	62.53
Banco Río, Argentina	24.05

**Career development data and quality of training actions**

	2004
Training hours on Career Development Systems (Career Plans)	173,963
Number of employees in Career Development Systems (Career Plans)	10,465
Training hours in High Potential Development Programmes	23,493
Number of employees on High Potential Development Programmes	955
Satisfaction with training (1-10)	8.59
Satisfaction with training, (% rating it 7 or more)	85%
Perception of learning acquired (1-10)	7.8
Perception of learning acquired (% rating it 7 or more)	86%
Application to job position (1-10)	7.5
Application to job position (% that applies the content of the course)	90%

## Internal communication

Grupo Santander has an active and reciprocated communication policy with employees. It is a key element for day-to-day management and achieving results, as well as for the motivation and commitment of employees to the Group.

The communication channels needed to ensure organisational efficiency, the levels of integration of teams and facilitate the dissemination of the Group's messages, activities and projects, both corporate and local, continued to be developed in 2004.

The Group's Chairman, Mr. Emilio Botín, sent a letter to all employees in 2003 inviting them to share their ideas and concerns as well as any suggestions that could help to improve Grupo Santander's competitive position. Five projects arose out of the replies to the letter and continued to be developed in 2004: Customer Banking, Grupo Santander Executive Resources, Technology and Systems, Risks and Development of the Groups' identity.

On November 14, Mr. Botín and Mr. Francisco Gómez-Roldán, Chief Executive Officer of Abbey, sent letters to employees of the UK bank welcoming them to Grupo Santander.

Grupo Santander also has measurement and feedback mechanisms (surveys and suggestion boxes, among others) to ensure progress and continuous improvement in communication.

As a result of the transfer of employees in central services in Spain to Ciudad Grupo Santander, Human Resources drew up a communication plan for the 6,500 people affected. They were given guides for the move, visits to the site before the transfer, and a welcome package was distributed with all the relevant information needed for adapting to the new environment.

## In-house publications

The Group has in-house magazines which are published by most of its banks. They are for employees including retired ones in some cases.

In Spain, the corporate magazine *Carácter*, with a circulation of 170,000, is for all the Group's employees and it is translated into English, Portuguese, and the Portuguese used in Brazil. Three issues were published during 2004.

The magazine *La Revista de la Red* (5,000 copies a month) is published. In Portugal *A equipa*, a quarterly magazine (12,000 copies), is published. In the UK, Abbey publishes *Read*, a monthly publication (25,000 copies).

In Brazil, Santander Banespa publishes the monthly magazine *Conexão* (22,700 copies). Chile, Venezuela, Puerto Rico, Colombia and Argentina have their own publications (called *Encuentro*). Mexico publishes *AlcanceSS* and Santander Consumer *Durchblick*.

Other in-house publications are on-line and distributed via local intranets, such as *Santander al Día* and *Buenos Días en España*, and *Buenos Días América* and *América Noticias* in Latin America.

## Conventions

Various conventions were held during 2004 which brought together the Group's executives to analyze the achievements of their units and establish plans for the future. The main one is the Convention of Group Executives which brings together 1,000 people from around the world. Also of note are the Retail Banking Convention and the Meeting of Executives of the Latin America Division, whose sixth meeting was held in Granada.

## Pilot intranet programme

The design of the new corporate intranet is one of the activities of the Groups' identity and Technology Projects. It is based on the current intranet of Santander Central Hispano and will be gradually installed in all countries as of the first quarter of 2005.

## Employee attention lines

In the United Kingdom, Abbey has a confidential Employee Advisory Line which handles information and advice requests including personal issues. There are similar lines in Spain and other countries.

### Work satisfaction survey at the Ciudad

In order to guarantee the quality of the services provided in Ciudad Grupo Santander in Spain, surveys are regularly carried out which enable them to be improved and continuously adjusted.

The results of the latest survey showed that both the expectations generated by the Ciudad as well as

all the services were well received and in particular the Bank's transport services, the creche and the communication procedures used under the Welcome Plan achieved significant scores. Satisfaction levels of more than 80% were obtained in specific matters related to the job, such as the amount of space available, the furnishings, comfort, technology, computers and natural light.

## Ciudad Grupo Santander Conceived for and by employees



Ciudad Grupo Santander is more than a new corporate headquarters, it is a reflection of what we are: a leading, international, modern and innovative company, and one open to the world

Grupo Santander is already working from its new corporate headquarters at Ciudad Grupo Santander in Boadilla del Monte on the outskirts of Madrid. All the transfers have been completed and the installations and services are fully operational.

### A Ciudad conceived for employees

Ciudad Grupo Santander is a complete banking city. It represents not only a step forward in the way we work, but also has a wide range of services for employees, helping to harmonise professional and personal lives.

Of note is the Altamira creche for 400 children of employees, as well as various sports installations. The Ciudad also has a varied range of restaurants and a multipurpose shop with a large number of products and services (dry cleaners, repair shop, pharmacy, etc).

A key part of the Ciudad is the corporate training and development centre with 35 rooms, a hotel, a

library and an auditorium. This centre was conceived as a place for meeting, reflection and development of the Group's employees, an exceptional place for instilling Santander's corporate culture.

A bus company connects the Ciudad to Madrid and transports employees to and from work. There are also subsidies for employees who go to work in their own car. The Madrid subway is also expected to reach Boadilla del Monte in the next two years.

### Improved efficiency

Cost savings and greater efficiency have been achieved by concentrating all corporate services in one area (before they were spread around 23 buildings in Madrid).

The structure of the buildings and the design of the installations facilitate communication and interaction between employees and departments. All of this boosts productivity.

The office buildings seek a balance between common meeting spaces and those for private use. The work areas are mostly open-plan, with a small number of offices. This favours an environment of team work.

#### Leading edge technology

The Ciudad Grupo Santander has leading edge technology. The improvements in technology are in three areas:

- The work place, with better computer equipment, which is more comfortable to use and more reliable. The Ciudad has the latest computerised office resources
- Communications, with latest generation transmission networks which are faster and have a larger capacity for multimedia
- Two data processing centres, conceived to guarantee the maximum security in provision of services.

The Ciudad, in short, has all the technological resources needed to guarantee optimum productivity in the work place, in an environment of maximum security.

#### High ecological content

The environment and sustainable development of it are respected at Ciudad Grupo Santander. Of the total surface area of the Ciudad, 62% is allocated to green zones where there has been a careful reforestation with indigenous tree species.

An ambitious system to cut consumption has also been launched, with shared management of printers and photocopiers and recycling and re-use systems. There is a centre for the treatment and separation of waste and an integral management system.

Ciudad Santander is more than a new corporate headquarters. It is a reflection of what we are: a leading, international, modern and innovative company.

#### Ciudad Grupo Santander, in figures

6,700 employees

160 hectares

139,000 square metres of offices

35 rooms in the Corporate Training Centre

Hotel with 168 rooms

Creche for 400 children

6 restaurants

26 pick-up points for employees in Madrid

62% of the land are green zones

25,000 trees and bushes

## Human capital indicators

## Skills: knowledge, abilities and professional qualities

	2004	2003
Number of employees	126,488*	103,038
Training hours per employee	36.86	27.42
Total number of training hours	3,798,899	2,825,747
Spending on training/Annual wage bill (%)	1.30	0.93
Employees in training/Total staff (%)	84.70	68.34
Assessment of satisfaction with the training (1-10)	8.59	8.51
Number of apprenticeship activities available in on-line training	2,300	2,613
On-line training by employees/Total staff (%)	71	51
Number of grant holders managed	6,461	6,063

## Capacity to innovate and improve

Average age of employees	37.85	38.33
Men/Women (%)	53 / 47	58 / 42
People with degrees (%)	45.36	45.39
Number of CVs received for job selection processes	276,064	288,054
Number of consultations tended to by the Employee Attention Service	171,274	130,460
Number of projects related to management of knowledge	41	58

## Commitment and motivation

Number of years service of employees	10.45	12.83
Employees promoted/Total staff (%)	9.29	12.97
Employees with variable remuneration (%)	62.22	69.79
Number of people with evaluation of objectives (64% retail network and 33% central services)	45,504	N.D.
Number of job assessments carried out	96,880	92,617
Number of contributions to Knowledge Communities	3,065	1,151
Number of suggestions for improvement	11,512	10,042

## Reconciling personal and professional lives

Total e-learning training hours (CBT or EAO**; On-line training and videoconferences)	921,420	563,635
Number of projects focused on reconciling personal and professional lives	46	46
Number of people on leave	1,063	1,201

## Accidents at work (new indicators)

Seriousness (days not worked because of accidents at work x 1,000)/total number of hours worked	4.78
Rate of fatal accidents (total number of fatal accidents x 100,000)/number of employees	1.97
Total number of hours not at work (absenteeism – only hours not worked because of “common illness and non-work accident”)	2,067,744

\* 24,361 employees at Abbey

\*\* Computer Based Training or Computer-assisted teaching



# Suppliers





Santander's relations with its suppliers is based upon selection, negotiation and acceptance, ensuring open and transparent competition

## Reader's guide

Our suppliers by type	62
Relations with suppliers	62
Selection and management	62
Criteria for selecting suppliers	63
Global Purchase Management	63
Special suppliers	63



270 electronic auctions

120 in Spain

150 in Latin America

EUR 300 million of purchases managed electronically

No supplier accounts for more than  
10% of purchases in each country

The five largest suppliers in Spain account for  
14.5% of total spending



Total purchases of more than

EUR 2,800 million

13% investment

87% spending

## Suppliers

## Our commitment

### Mutual benefit, respect, objectivity, transparency:

Grupo Santander's relations with its suppliers are based on mutual respect and on objectivity and transparency in the selection process, negotiation, acceptance and awarding.

## Scale

Number of electronic auctions	270
Volume of purchases managed electronically*:	16%

### Purchases managed electronically\*

2004	6,792
2003	2,843
2002	1,895

\*Global Area of Purchases, Santander Spain

## Main actions in 2004

- Use of the new Purchasing Model in all the Group
- Generation of savings by aggregating the volume of purchases at the global scale
- Consolidation of electronic auctions for purchases

## Objectives in 2005

- Launch of the Global Unit of Purchases throughout the Group
- Unify comparison procedures in all countries
- Incorporation of CSR rules for the acceptance of suppliers
- Greater collaboration with suppliers who encourage employment for the disabled

## Suppliers

## Our suppliers by type

## Main suppliers by country

	Spain	Brazil	Mexico	Chile	Portugal	Others	Total	Consolidated
More than EUR 1 million	82	82	39	25	24	32	284	243
EUR 300,000 to 1 million	101	116	79	48	25	723	441	395
EUR 50,000 to 300,000	291	436	433	200	74	261	1,695	1,608
<b>Total</b>	<b>474</b>	<b>634</b>	<b>551</b>	<b>273</b>	<b>123</b>	<b>365</b>	<b>2,420</b>	<b>2,246</b>

## Relations with suppliers

Grupo Santander's policy in purchasing is to optimise the relation between cost, quality and provision of services.

As with our customers, we like to establish lasting relationships with our suppliers, based on the conviction that both sides can obtain long-term benefits.

In 2004 all the contracts with suppliers were paid in the agreed conditions.

It is very important for us to know that our suppliers not only comply in terms of delivery times and costs, but they also respect a series of basic principles related to human, labour and environmental rights. On this basis, they were invited to adhere to the UN's Global Compact, which the Group subscribed to in 2002.

During 2004, there was further adherence to the Global Compact, both by global suppliers, as well as, in each country by local suppliers. A good example of this is Santander Totta, in Portugal, where 161 of the 202 largest suppliers (80% of purchases) subscribe to the Social and Environmental Commitment of Suppliers sent by the Bank.

As part of its commitment to encouraging respect for human rights, the Group requires that companies supplying security services give their employees training that pays due attention to fundamental rights and individual freedoms.

## Selection and management

The Resources and Costs Division is responsible for managing all purchases of goods, as well as selecting, contracting, negotiating and other aspects related to external suppliers. This division sets the criteria and coordinates the investments and spending of the subsidiaries in each country.

This enables us to achieve the most competitive prices, as well as standards that facilitate the streamlining of services and inputs.

Suppliers are selected after meeting certain quality requirements, which are continuously assessed in accordance with the Group's internal regulations.

The soundness of the selection, comparison, and evaluation processes, which are applied in all the Group's banks and companies, guarantee objectivity and facilitate transparency.

Grupo Santander has strict regulations for its suppliers:

- The supplier must meet all tax and Social Security obligations and those of entities of a similar nature
- The corporate purpose of the company must be in line with Grupo Santander's basic ethical principles.

Failure to do this or meet these conditions excludes a supplier from establishing any kind of relation with the Group, regardless of the competitiveness of the price or the product.

#### Criteria for selecting suppliers



Under its payments policy for suppliers, the Group forbids its employees to make any payments to suppliers that could have illegal features or dishonest purposes. All payments have to be registered in the Group's books.

#### Global Purchases Management

An analysis of IT costs, as well as other concepts such as communications, publicity and office material, led the Group to create in 2004 a new area that seeks to exploit the advantages of its dimension in order to optimize the level of spending on these items. The Global Purchases Area includes various global managers by category: Technology, Publicity, Supplies, External Services and Infrastructure.

This area makes massive use of the new *e-sourcing* tools (electronic auctions) to manage purchase categories at the global level, both of the parent bank as well as the subsidiaries in Latin America. Its objective is to channel a significant and increasing volume of the Group's purchases via these tools, with the consequent cost saving. In 2004, the area negotiated via electronic auction more than EUR 300 million of purchases in over 270 transactions (16% of total purchases).

The project began with five countries: Spain, Portugal, Brazil, Mexico and Chile and will be expanded to cover the rest of the Group's banks and companies.

#### Special suppliers

The Group fosters employment via special job centres of the Konecta Group, 40% owned by the Bank. Konecta has three centres providing external marketing services over the telephone which employ 53 people with some form of disability.

Santander Central Hispano has a system of incentives (e-points) to encourage use of its Formavía training portal. The points are exchanged for gifts made by young mentally disabled people who work at the Carmen Pardo Valcárcel Foundation.

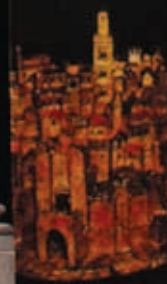
Other examples in this sphere during 2004 were the agreements subscribed with the ONCE Foundation for developing access to the Group's website, as well as one with the APADIS employment centre, where young people with Downs Syndrome work, and which provides services to the Group's Training Area. The Bank also works in Spain with several companies of the ONCE Group, such as PILSA, which cleans and collects organic waste, and COLUMBIA, which treats and handles products that are recycled.



# Community

Façade, Sevilla University  
Sevilla

V CENTENARIO  
UNIVERSIDAD  
DE SEVILLA  
1300-2000





We foster a corporate culture that places special value on ethical and socially responsible behaviour

## Reader's Guide

Our actions with the community by type	68
Four lines of action	68
Santander Universities	68
Cooperation agreements	68
Chairs related to sustainability sponsored by Grupo Santander	69
Grants	69
University card	70
Three-year special plan of measures for Latin America	70
R+D+i	72
Universia	72
Miguel de Cervantes Virtual Library	74
Educational development	75
Development cooperation	76
Co-participation with employees	78
Economic development programmes: micro credits	80
Millennium objectives	81
Cultural and artistic development	81
Grupo Santander foundations	82
Santander Central Hispano Foundation	82
Banesto Cultural Foundation	83
CIFF Foundation	83
Indicators	83



## Santander Universities

EUR 57.8 million of investment in higher education

409 cooperation agreements with universities

812 universities participate in Universia

13,700 books digitised by the Miguel de Cervantes Virtual Library

36 Santander University Chairs

8,515 grants for training and research

190 new technology projects

2,295 employees participate in volunteer programmes



## The National Autonomous University of Mexico UNAM

EUR 78.9 million invested in education development projects

EUR 3.9 million invested in 193 development cooperation programmes



EUR 84.4 million invested in CSR

2.7% of net attributable income

Salamanca University Library

## Our commitment

### Investment, future, development:

The Group is committed to the societies of all countries where it is present in order to develop their communities. It invests on a sustained basis so as to foster education and culture and its programmes encourage employees and customers to take part.

## Scale

The Group's investment in social responsibility projects in 2004 represented 2.7% of net attributable income, the same percentage as in 2003.

Santander Universities accounted for 68% of the investment.

### Total investment in Corporate Social Responsibility (millions of euros)

2002:	61.0
2003:	71.1
2004:	84.4

## Main actions in 2004

- Santander Universities is the centerpiece of Santander's CSR
- The Group participates in large cultural, educational and social projects
- Ciudad Grupo Santander is a leader in CSR

## Objectives in 2005

- Participation of university management teams, students and teachers in both Santander Universities as well as Universia
- Development of Universia as the leading employment portal, consolidating itself as the library of teaching resources
- Disseminate more widely the contents of the Miguel de Cervantes Virtual Library
- Development cooperation programmes with the participation of employees and customers
- Strengthen the micro credit programmes

## Community

# Our actions with the community by type

## Four lines of action

- Santander Universities:
  - Cooperation agreements with universities
  - The Universia portal
  - Miguel de Cervantes Virtual Library
- Measures benefiting the development of education
- Cultural and artistic support programmes
- Group activities, in collaboration with employees and customers.

### Santander Universities

Grupo Santander believes that supporting higher education is a key way of contributing, in the medium and long term, to the wellbeing and stability of our environment.

Quality universities guarantee social, economic and cultural progress.

The programme Santander Universities has been going eight years and is based on subsidising and cooperating institutionally in teaching, research and development projects in Spanish, Portuguese and Latin American universities.

The programmes are developed in three large areas: the establishment and development of cooperation agreements, support for and sponsorship of the Universia portal and the Miguel de Cervantes Virtual Library.

### Cooperation agreements

Grupo Santander had agreements at the end of 2004 with 409 universities, 89 more than in 2003. The overall investment in 2004 amounted to EUR 44 million.

The agreements can be grouped as follows:

- Academic programmes. Focused on grants for research and projects to improve the quality of teaching, and the internationalisation of academic activity.

Grupo Santander believes that universities are the main generators of new knowledge, through research and scientific output.

The Group is financing more than 30 vanguard research projects in areas as diverse as archaeology,

## Cooperation agreements with universities

Country	Dec. 04	Dec. 03
Brazil	86	63
Mexico	72	59
Chile	37	30
Puerto Rico	10	8
Venezuela	28	21
Argentina	31	18
Colombia	24	20
Others	19	18
<b>Latin America</b>	<b>307</b>	<b>237</b>
Portugal	29	14
Spain	73	69
<b>Total</b>	<b>409</b>	<b>320</b>

### Chairs related to sustainability sponsored by Grupo Santander

- Chair of Sustainable Coastal Development – University of Cádiz (Spain)
- Chair of Sustainable Development – University Foundation San Pablo CEU (Spain)
- Chair of the Environment – University of Cantabria (Spain) and University of Valparaíso (Chile)
- Chair of Corporate Social Responsibility – University of Alcalá de Henares (Spain)
- Chair of Corporate Social Responsibility – University Antonio de Nebrija (Spain)
- Chair of Corporate Social Responsibility – University Francisco de Vitoria (Spain)
- Chair of Leisure and Society - University of Deusto (Spain)
- Chair of Good Governance - IESE (Spain)
- Celestino Mutis Chair of Specialisation in the Environment - CSIC (Spain)

medicine and biotechnology, the environment and nanotechnology.

- Grant programmes for training and research, with 8,000 beneficiaries –students, postgraduates and teachers – in 2004.

The grant programmes for the mobility of students and researchers are an essential tool for the internationalisation of universities and the consolidation of superior ground for higher education and research, helping to reinforce the international projection of universities. More than 70 chairs of research and academic exchange between universities have been created.

Thanks to Grupo Santanders' support, close to 2,000 students can study or do research abroad. This help to strengthen the international scope of universities. More than 70 university chairs for research and exchange between universities have been created.

- Grupo Santander has created 36 chairs to develop research and teaching in specific areas of knowledge.

- Programmes of technological innovation that help to develop and utilise information and communication technologies in universities. Of note are the online training projects and virtual campuses, the digitisation of books and theses and the renewal of management systems (more than 190 projects developed).

The appropriate professional training for future generations obliges universities to be very sensitive to the changes in new technologies in our societies.

Almost all the agreements include specific items to modernise teaching methods, adapt university infrastructure and familiarise universities with the demands of new technologies.

Particularly noteworthy in 2004 was the Athenea Programme to help universities buy PCs. Grupo Santander and 30 Spanish universities agreed to allocate EUR 2.3 million towards the purchase of PCs by students.

### Distribution of grants

Types of grant	2004				2003
	America	Spain	Others (Europe)	Total	Total
Work experience	5,047	1,050	364	6,461	6,063
Study	1,501	553	-	2,054	1,861
<b>Total</b>	<b>6,548</b>	<b>1,603</b>	<b>364</b>	<b>8,515</b>	<b>7,924</b>

Intelligent university cards delivered	December 2004
Brazil	246,499
Mexico	254,151
Chile	211,810
Puerto Rico	34,189
Venezuela	132,574
Argentina	32,766
Colombia	20,543
Others	20,450
<b>Latin America</b>	<b>952,982</b>
Portugal	18,545
Spain	687,679
<b>Total</b>	<b>1,659,206</b>

### University card

Of note in the technology and management sphere is the university card, a good example of cooperation between the academic and corporate worlds, as it takes advantage of the experience of a financial entity in the issue and development of electronic cards which cover the needs identified by universities.

The card has many advantages for students as it serves as personal identification, enables administrative matters to be handled, academic files to be consulted in ATMs and information points; access to restricted areas, sports installations and computer rooms; books to be loaned and controlled in libraries and provides an electronic signature, among others.

Grupo Santander delivered the university card in 37 centres and Spanish universities, 8 in Portugal and 86 in Latin America (a total of 1.6 million cards). This service is provided free for universities.

### Three-year special plan of measures for Latin America

At the end of 2003, a special plan was started in Argentina to support Latin American universities. This meant an extra drive in the investment in sponsorship made every year by Grupo Santander via agreements. The Special Plan of Measures is for three years and in 2004 was extended to Mexico, Colombia, Chile, Puerto Rico, Venezuela, Peru and Brazil. The investment over three years is US\$113.3 million.

The funds are for defined purposes and, under agreements with national associations of universities and the education authorities in each country, are used to foster the Latin American High Education Space, the technological modernisation of centres and cooperation between universities and companies. The plan focuses on national and international travel grants for students and teachers (5,160 grants in all); the creation of computer rooms to facilitate students' access to new technologies (229 new rooms) and prizes for innovation and entrepreneurs' projects.

### Summary of the three-year Special Plan of Measures

	Argentina	Mexico	Colombia	Chile	Brazil
Investment (US\$ million)	10	43	7,3	19	34
Grants	30	3,000	20	330	1,800
Computer rooms	58	60	15	37	81





Pontifical University  
Comillas  
Madrid



Universia room  
Complutense University  
Madrid



## R+D+i

In the emerging knowledge society, particular importance is attached to programmes that foster closer cooperation and the transfer of knowledge between the academic and corporate worlds in the fields of research, development and innovation.

Grupo Santander cooperates systematically in projects that enable science and technology to be incorporated as quickly as possible to economic and business activity, and become the engine of economic growth through:

- Support for scientific and technology parks and incubators of companies promoted by universities
- Portals of entrepreneurs that facilitate the development of new businesses and micro companies
- Participation in university venture capital funds or university spin-offs
- Sponsorship of prizes for entrepreneurs

## Universia

Universia was created in July 2000, the result of an agreement between the Conference of Rectors of Spanish Universities (CRUE), the Higher Council of Scientific Research (CSIC), 32 Spanish universities and Grupo Santander. Although it began as an Internet portal, Universia has become the world's largest university network, which brings together the main higher education institutions in Latin America.

Universia already groups 812 universities from 10 countries – Spain, Portugal, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Puerto Rico and Venezuela – who share this global information, cooperation and services space.

Universia is used by 8.6 million students, more than 80% of the total number in the 10 countries. Of the total number of universities, 51% are public and 49% private. Of them, 742 are Latin American and Portuguese. The number of partner universities in the portal rose by 76 in 2004.

The Universia network is aimed at students, teachers, researchers and the administrative staff of universities, as well as the social and business environment in which universities find themselves. The portal has become a strong and enriching aggregator of content.

### Key figures of Universia

Banks/Companies	Universities associated (number)	Universities %	Users registered
Spain	70	100	1,590,000
Portugal	19	97	195,000
Brazil	205	66	1,905,150
Chile	55	97	388,180
Mexico	221	84	1,612,000
Colombia	55	73	470,000
Puerto Rico	15	99	175,000
Venezuela	42	93	556,000
Argentina	67	92	1,237,518
Peru	63	97	477,767
<b>Total</b>	<b>812</b>		<b>8,606,615</b>

The range of contents and services linked to university activity is one of the fullest on Internet: from information on studies, programmes and academic services to the schedule of activities, as well as more than 500 digital libraries, many areas on research, Internet, culture and conducting a first job search. Universia's contents are always growing and are updated on the basis of demand and needs.

The portal had 30 areas of contents and services in 2004, classified into almost 100 categories. More than 1.5 million well ordered documents and resources were on offer.

Universia is also a platform for taking advantage of technological innovation, and at times it becomes a vehicle for the marketing of products and services developed by universities.

An example of this activity are the university shops, the section dedicated to training courses, or its work of intermediation in various proposals related to corporate e-learning.

Universia stands out for its relations with companies, as this is one of the project's strategic elements. Since the

portal was created 120 agreements have been signed with institutions, 32 of them in 2004. The objective of them is to benefit universities.

The portal's collaboration with high tech companies enabled 380 experimental projects to be developed with more than 200 universities.

Of note was the creation of Internet rooms on campuses. So far Universia has created more than 112 rooms with over 3,000 computers (22 of them in 2004) and installed terminals and points of access to Internet and wireless.

Universia, in short, aims to contribute to the incorporation and assimilation of information technologies in the knowledge society, and to cooperate in developing the Latin American Space for Higher Education and Research; help reduce the digital divide; democratise and universalise knowledge and forge closer links between the university and business worlds.

Over the last five years the portal has won 24 prizes as the best education portal. In 2004 it received the IBEST prize in Brazil, the PCWorld in Peru, the Mejor. COM in Venezuela, the best Internet project in Puerto Rico and the second best in Chile.

### The Bank for Universities and of university students

#### Spain and Portugal

- Cooperation agreements with 102 universities and other education centres
- Delivery of 700,000 intelligent university cards
- Relations with 1.8 million people
- The Universia Portal is backed by 89 institutions

#### Latin America

- Cooperation agreements with 307 universities
  - Delivery of 950,000 intelligent university cards
  - Relations with 6.8 million people
  - The Universia Portal is backed by 732 universities
-

# Miguel de Cervantes Virtual Library

FUNDACIÓN  
BIBLIOTECA VIRTUAL  
MIGUEL DE  
CERVANTES

“The Miguel de Cervantes Virtual Library has an extraordinary collection of works from all spheres of the Spanish language and is a common country for all Spanish speakers. The best way to keep alive our cultural heritage is to consult it, visit it and enrich it”

Mario Vargas Llosa

President of the Miguel de Cervantes Virtual Library Foundation

The Miguel de Cervantes Virtual Library ([www.cervantesvirtual.com](http://www.cervantesvirtual.com)) has the largest on-line collection of Hispanic works and is the most visited Spanish literary website in the world. In 2004 alone 57 million pages were visited. It was created in 1999 by the University of Alicante, with the sponsorship of Grupo Santander and the Marcelino Botín Foundation.

It is an invaluable platform for disseminating Spanish languages in the academic world and the public in general. At the end of 2004, it provided more than 13,700 Spanish and Latin American works digitalized in different formats. The goal is 30,000 of the most significant works.

The central core of the library are the institutional and thematic portals. The former are the result of the cooperation agreements with some of Spain's and Latin America's main institutions, such as Royal Spanish Academy and the National Libraries of Spain, Brazil, Chile and Argentina. The thematic portals cover a lot of ground (literature, history, geography, and cinema).

Of note is the Primera Vista portal, dedicated to promoting the latest publications of more than 60 publishers that collaborate with the Cervantes.

There are also 40 libraries of works by classic and contemporary authors, including the Miguel de Cervantes Saavedra Author Library, which has become the on-line reference page for the life and work of Cervantes. As part of the 400th anniversary of Don Quixote, a specific portal ([www.cervantesvirtual.com/IVCentenario](http://www.cervantesvirtual.com/IVCentenario)) was created as a meeting point for the various commemorative acts.

A priority objective is access to the Library's contents, and this is done in accordance with the W3C (World Wide Web Consortium) international standards. This facilitates use of the portal by the largest possible number of people, including those with sensory disabilities. It also provides specific contents for people with hearing and/or visual disabilities via the Portal Library of Signs and of Fonoteca.

The Miguel de Cervantes Virtual Library, in figures

1,094 critical studies

368 doctoral theses

100 scientific magazines in the newspaper and periodical library

3,000 links in the World Libraries section

692 recordings in the video library

624 recordings in the music library

23 multimedia editions



## Educational Development

As well as the Santander Universities programme, the Group conducts other projects in education. The main ones are set out below:

### Santander Central Hispano, Spain

- Carolina Foundation: The Bank cooperates with this foundation in the “Becas Líder” programme which held its third edition in 2004. Under it 60 graduates with the best CVs in Latin America were selected.

The aim of this programme is to provide the emerging leaders of Latin America with a better and deeper knowledge of Spain and forge closer links between the country and Latin America.

- “ABC Universitario” – “ABC Solidario” prize: This is the result of the agreement between the Bank and the Spanish daily ABC. It is for Spanish graduates and rewards social actions.
- Donation of 130 computers to NGOs, such as Entreculturas, which supports education for the underprivileged.

### Santander Totta, Portugal

- As a result of the renewal of computers, the Bank donated 225 computers and printers to non-profit organisations.

### Abbey, United Kingdom

- Number Partners: This is a project where Abbey employees volunteer to help children between the ages of seven to nine to improve their numerical skills. The Reading Partners programme is due to start in 2005 to improve the reading skills of children.

### Santander Banespa, Brazil

- Telecentros: the Bank signed an agreement with the Coordinator of the Electronic Government of the

State of Sao Paulo to support its Digital Inclusion Plan, with the establishment of 18 centres with computers connected to Internet for free use. The cooperation includes basic computer courses and special workshops.

- Seminar on diversity and education for children under the age of six: the Bank sponsored this in order to discuss education with around 200 teachers and experts.

### Santander Santiago, Chile

- Programme to donate computers: The Bank renews its computers every three years and donates them to various social and cultural institutions. Since the programme was started, 3,972 computers have been donated.

### Santander Puerto Rico

- Campaign to recycle books which are delivered to the Bank's branches and then distributed by the Interamericana University to students and schools lacking resources and to non-profit making organisations.

### Santander Venezuela

- Unamos el Mundo por la Vida Foundation: The Bank cooperated with this foundation to build a “Colmena de la Vida” in Hatillo, where 700 children can study and enjoy leisure activities.

### Banco Río, Argentina

- “Plan Del Colegio al Empleo”: Banco Río, Universia Argentina and Orígenes AFJP (a pension fund entity) set up workshops for young people who are in the last year of their secondary education in order to provide them with the basic tools for getting their first job. The plan aims to cover 14,000 people.

## Development cooperation

Helping society and those most in need is a constant concern of Grupo Santander, with the co-participation of employees and programmes developed by the Group itself. These programmes strive to strengthen the commitments already undertaken and enhance the transparency and objectivity of the agreements with collaborating institutions.

The main programmes in 2004 were:

### Santander Central Hispano, Spain

- Payroll Campaign, following an agreement with the Spanish Red Cross under which the Bank made a donation for the purchase of 17 emergency health centres.
- Agreement with the Spanish Red Cross to provide radio communication equipment for its hospitals and health centres in the Livingston region in Guatemala.
- Collaboration with the Integration School of the Real Madrid Foundation, the King Juan Carlos University and the Fuenlabrada town hall to create the first school which uses sport to help integration. The Bank gave grants to 103 children of immigrants (children of customers from nine different countries) and to Spanish children of employees.
- Agreement with the Madrid Town Hall and the Valora Foundation to donate some of the computers and office equipment from offices as a result of the move to Ciudad Grupo Santander at Boadilla del Monte, Madrid. More than 100 schools, religious orders, NGOs, foundations and associations benefited from this.
- The Bank's commercial website ([www.gruposantander.es](http://www.gruposantander.es)) allows people to make donations, free of commissions, to various NGOs.
- In Spain, the Group collaborates with the Lealtad Foundation, which analyses the performance of those non-profit making institutions that voluntarily agree to be examined. The reports are made public, which favours transparent relations between donors, volunteers and non-profit making institutions.

### Santander Totta, Portugal

- *Nutrition Operation*: Santander Totta committed itself to donating EUR 50 for each payroll Direct Deposited to in its "Super Cuentas Ordenando" to International Medical Assistance under the campaign for children in Angola.
- *"Puntos Simpáticos"*: Campaign conducted by UNICEF, under which Santander Totta donated 50 vaccines for every 100 points obtained by customers in the Bank's promotions. The goal was to vaccinate 250,000 children.
- Santander Totta has been the official bank of the Portuguese Paralympics Movement since 2003.
- Donating EUR 5 to various organisations for every account opened in one of the 20 branches opened during 2004.
- 19% of the cost of buying 200,000 Christmas cards for the Group was used to create a fund for the Portuguese Association of Carriers of Trisomy 21 and for New Future.
- *No sea una Víctima Más. Ir y Volver Depende de Usted*: Campaign organised by the Portuguese Navy in cooperation with the Bank to make people more aware of security on beaches.
- Collaboration with CEBI, Foundation for the Community Development of Alverca, dedicated to integrating around 3,000 families.

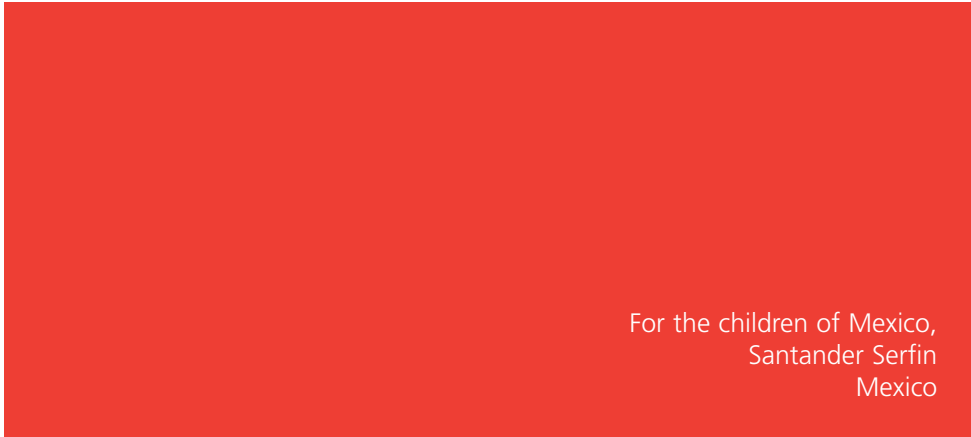
### Abbey, United Kingdom

- Active collaboration with the Consumer Credit Counselling Service and the Money Advice Trust, which help people with financial problems.
- Social Housing Finance: An Abbey department that provides financial solutions to non-profit making institutions so that people with economic difficulties can buy a home.





Nutrition Operation,  
Santander Totta  
Portugal



For the children of Mexico,  
Santander Serfin  
Mexico



### Santander Banespa, Brazil

- “Criança” Prize of the Abrinq Foundation: This prize has been awarded since 1989 by the foundation, with whom the Bank cooperates. In 2004 it went to four social organisations that helped to improve the quality of life of children under the age of six.

### Santander Serfin, Mexico

- “Quitate un Peso de Encima”: The Trust received 15% of the 3 million pesos collected in this campaign conducted by the Bank and UNICEF.

### Santander Puerto Rico

- Official Map of Hurricanes 2004: The Group sponsored this map and 350,000 copies were printed.

### Banco de Venezuela

- Don Bosco Network of Homes: Under the programme with this entity, the second phase of the workshops to combat drugs was developed.

### Banco Río, Argentina

- Food Plan: For the third year running this programme helped 270 kitchens for children run by Cáritas Argentina.

### Santander Uruguay

- Don Bosco Workshops: The Bank donated more than 450 articles – furniture and electrical appliances – to these workshops for repair by students. The articles were then sold to raise funds.

### Co-participation with employees

Several of the Group's banks conduct activities with employees and customers to meet social, cultural or environmental needs, some of them for the past 10 years. The main programmes during 2004 were:

### Santander Central Hispano, Spain

- Agreement with the Spanish Red Cross, under which current and former employees participated in Red Cross programmes for volunteers, particularly regarding assistance for the elderly.

### Banesto, Spain

- “Solidaridad x2” programme: This is developed via the Banesto Cultural Foundation, which matches the contributions made by employees to humanitarian or non-profit organisations that are part of the programme. Any employee of the Bank can request the incorporation of an entity to the programme.

### Santander Totta, Portugal

- “Núcleo de Voluntariado Totta” fosters the participation of employees in socially responsible actions. Among them are the Day of the Volunteer, the holding of an auction to collect funds, and the programme Bread for Everyone, where volunteers from the Bank help to produce and distribute bread to the most needy.

### Abbey, United Kingdom

- Community Affairs: Abbey organises, under its Christmas Treat programme, held since 1997, a trip to Lapland to see Father Christmas for children who have had a difficult year.
- Abbey donates the cost of each hour of volunteering by its employees (10% of them have participated) to community programmes, with a maximum of 35 hours a year.
- Abbey Charitable Trust: This entity donates funds to U.K. Charities through nine local employee-led Community Partnership Groups.
- Matched Donations: The Bank matches each donation by an employee of not more than £500.

### Santander Banespa, Brazil

- “Brincar é coisa séria”: Installation of 17 educational libraries with toys in municipal hospitals in Sao Paulo, in association with the Municipal Secretariat of Health and the Betinho Committee of the Bank’s employees.
- Support Group for Adolescents and Children with Cancer (GRAACC): Santander Banespa and its employees support the organisation Carrera y Caminata in order to mobilise the population and raise fights for the fight against cancer in children.
- Tertio Millennium Association: The Group supports this entity, which helps women and children from marginalised communities, and fosters the participation of employees.
- Gift Campaign of the Social Fund of the State of Sao Paulo: Santander Banespa cooperates with employees in donating clothes and collecting them in its branches.

### Santander Santiago, Chile

- Some 35% of employees (3,500 people) are involved in voluntary activities.
- Hogar de Cristo: The Bank and its employees cooperate in the “A Roof for Chile” campaign whose objective is to eradicate the dwellings where the country’s poorest live and provide them with a basic home.
- “Dale Alas a un Niño”: Santander Santiago and more than 600 employees cooperate with the Belén Educa Foundation in this programme. This money is used to finance the education of the 10,000 children in the Foundation’s six colleges.

### Santander Serfin, Mexico

- For the Children of Mexico trust: Created 10 years ago, employees of Grupo Santander in Mexico donate a voluntary amount every month to this institution, whose main function is to help needy children.
- “Caminata con Sentido”: The Bank and its employees cooperated in this race to collect funds for a new building for the Cerebral Paralysis Association (APAC)

### Santander Colombia

- Rooms for Accelerated Learning: This programme run by the Bank and the Dividendo Foundation helps 180 needy children to study.
- “Time to Share”: This programme, developed by the Bank and its employees, provided computers to two foundations which help more than 150 displaced children from Bucaramanga and Bogotá.
- Cane Foundation: The Bank donated computers, furniture and household equipment to this organisation which looks after more than 190 children and works in collaboration with an employee from the Bank’s pensions area.

### Santander Puerto Rico

- “Dale Alas a Una Vida”: The Group’s employees collaborate with the Muscular Dystrophy Association, selling butterflies for a dollar.

### Banco de Venezuela

- Casa Hogar Domingo Savio: The Bank’s employees accompanied 21 children and young people from this institution on a trip to the El Ávila National Park.

### Banco Río, Argentina

- Ideas that give Work Programme: All the Bank’s employees are invited to suggest projects that create jobs or improve the social environment of their communities.

### Santander Uruguay

- Building of installations for the Jesús Isaso College: The Bank is building new installations for this school which has been going for 10 years. Employees cooperate via the Santander Persons organisation and with volunteers.
- “Plan Trabajo Afinidad AFAP”: The Bank cooperates with this institution in its workshops for helping the unemployed

### Santander Perú

- Fe y Alegría: This is an organisation managed by Jesuits and has 63 schools. The Bank is helping to install Universia computer rooms and fostering voluntary work among employees and customers.

## Economic development programmes: micro credits

Within the framework of the UN's Millennium Objectives and following the Group's support for the III International Forum on Micro Credits held in Brazil in 2003, and underscoring the importance attached to Corporate Social Responsibility and to programmes to eradicate poverty, we continued in 2004 to support the various micro credit programmes.

Micro credits play a key role in the social and economic development of communities, as they encourage access to financing sources by small or very small enterprises, which otherwise would find it difficult to do so through the normal channels.

Micro credits are not donations but loans which must be managed as such. The Group selects projects and studies their viability.

Grupo Santander's experience in micro credits is positive, as a very large proportion of them have been paid back. These programmes create new entrepreneurs and integrate into society groups which otherwise would be excluded.

The Group's micro credit programmes include:

### Santander Banespa, Brazil

Santander Banespa continued in 2004 to adhere to the programme launched by President Lula da Silva in 2003. The Bank grants micro credits of between EUR 70 and EUR 340, without the need for information on the level of income or guarantees. The interest rate is 2% a month over 12 months and can be extended.

The Group cooperates with the *Movimento Unicidade*. This is a programme sponsored by the Vale del Río University for regional development in an area of 100 kms around the campus.

The *Escola de Família* programmes includes teaching 9,000 people in three professional cooking schools, *Padarias Artesanais*, where the bank distributed 2,400 kits for making bread and a course on how to use sewing machines.

### Santander Santiago, Chile

Chile currently has 120,000 micro entrepreneurs out of a potential pool of 700,000. This is an important group: if each potential micro entrepreneur put into effect a project and each of them employed one person, unemployment in Chile would disappear.

The Bank, through Santander Baneffe, has been working with micro entrepreneurs for 13 years and during this period has granted more than 250,000 loans.

The segment comprises self-employed workers, with incomes of between US\$212 and US\$530, and their main asset is their capacity for business, effort and perseverance, participating directly in the all aspects of their own business.

The number of customers at the end of 2004 was 55,561, and Baneffe's portfolio of loans to micro entrepreneurs amounted to US\$83.1 million.

Of note among Santander Santiago's activities is the National Baneffe Prize for the Female Micro Entrepreneur, with 12,000 candidates in 2004 and a total of 30,000 over three years. Its objective is to recognise the effort and entrepreneurial capacity of Chilean women. The prize consists of working capital and training courses.

### Santander Puerto Rico

Grupo Santander Puerto Rico has spent more than 30 years developing measures that contribute to the island's economic and social development, not only banking products and services but also innovative programmes aimed at satisfying the demand for loans from sectors with the least income.

One of these is the "Vamos a Ti" programme, established in 1999 to promote the financing of small businesses. It is supported by the town hall of Jayuya. Loans totalling US\$95,000 were approved during 2004.

## Millennium Objectives

Grupo Santander, under its corporate social responsibility programme, adheres to the UN's Global Compact and is committed to the Millennium Objectives by taking its own steps. All the CSR activities in this report have a direct or indirect impact on achieving the Millennium Objectives.

The goals of UN's Millennium Declaration are:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

### Cultural and Artistic Development

Grupo Santander developed many cultural programmes. The main ones were:

#### Santander Central Hispano, Spain

The Bank cooperates with the following entities:

- Teatro Real, Madrid
- Liceo, Barcelona
- Guggenheim Museum, Bilbao
- Ortega y Gasset Foundation

It also collaborates, through the Santander Central Hispano Foundation, in cultural and artistic projects, which are set out in the section on foundations.

#### Santander Totta, Portugal

- "Os Lusíadas": new edition of this book by Luis de Camoes, illustrated by Pedro Proenca, in cooperation with the daily *Expresso*.
- Loan of Totta's paintings to various exhibitions
- Sponsorship of the creation of the Museum of the Presidency in the Belém Palace
- Support for the Serralves Foundation
- Sponsorship of the Casa de Mateus Foundation

#### Santander Banespa, Brazil

- The Patriarca building was inaugurated as Sao Paulo's new town hall.

- 450th anniversary of Sao Paulo: the exhibition "Provocando el Mirar" was held at the Sao Paulo Assis Chateaubriand Museum of Art, which showed 25 paintings from the Grupo Santander Foundation collection.

- Circus for children: close to 30 children from the Taibor Community Educational Centre were able to learn circus and theatre techniques thanks to the Bank's collaboration with Grupo Fractons.

#### Santander Santiago, Chile

- Sponsorship of the opera season at the Teatro Municipal, Santiago.
- Collection of art books with the Pre-Columbian Museum
- 21st century painting competition
- Santander Friends of Art Index

#### Santander Serfin, México

- Five Centuries of European Art exhibition, Grupo Santander collection, in the National Museum of San Carlos, together with the National Council for Culture and the Arts.

#### Santander Perú

- "Auto Sacramental" by El Gran Teatro del Mundo: more than 600 people attended it in Lima's cathedral, as part of the cultural acts held for the Annual Assembly of the Inter-American Development Bank.

## Grupo Santander's foundations

### Santander Central Hispano Foundation

This foundation continued to undertake activities in the cultural sphere, humanities, science, and natural heritage, in line with its original criteria of serving Spanish society and also reflecting the Group's corporate social responsibility objectives. Total spending in 2004 amounted to EUR 3.81 million, of which EUR 529,000 was invested in environmental projects. Of note are the following activities:

#### Art:

- Fortuny, at the National Art Museum of Catalonia
- Selection from Grupo Santander's Art Collection, in Santiago de Chile; Sao Paulo Art Museum (Brazil), National Museum of San Carlos, Mexico City; Córdoba (Spain) and Santiago de Compostela (Spain).
- The tomb of Tutmosis III. The dark hours is the sun, in the National Archaeological Museum, Madrid
- Variations in Spain. Photography and Art, 1900-1980; and the Court of Isabel the Catholic, in the Centro Cultural de la Villa, Madrid

#### Conferences:

- Science and Society
- Biography and History
- The coming world
- Symposium of the magazine Moneda y Crédito on "The future of the European Union".

#### Sustainability and Natural Heritage:

- Two issues of Cuadernos de Sostenibilidad y Patrimonio Natural, which set out the foundation's main activities, events and symposiums in this sphere.
- International seminar on tourism, natural heritage and biodiversity.
- International workshop on sustainable tourism and natural heritage, part of the Barcelona Forum.
- I Economy and Sustainability Forum, held every year.
- Second Spain-France Meeting, dedicated to climate change.
- Sponsorship of the recovery of the Turberas de la Sierra Plana de Borbolla (Asturias), an ecosystem declared a space of Community Interest and a zone of special conservation.
- First issue of the collection *Manuales de Desarrollo Sostenible* on the management and restoration of wetlands.

#### Music:

- Piano professorship and other projects such as concerts for pupils and new values, of the Albéniz Foundation
- Sala Foyer, at the Barcelona Liceo

### Summary of the contributions of foundations

(thousands of euros)

	2004	2003
Santander Central Hispano Foundation	3,810	2,863
Banesto Cultural Foundation	2,000	862
CIFF Foundation	150	300



- Orfeo Catalá School Choir.
- International Santander Festival: German Requiem, Op.45 of Johannes Brahms by the Teatro Comunale di Bologna orchestra and choir.
- Christmas concert, with the Padre Arrupe Foundation.

#### Research:

- Cancer of the colon, at the Molecular Genetics Cancer Institute.
- The brain in movement, by the Dr. Pérez Modrego Magneto encephalography Centre.

#### Publishing:

- Launch of the *O4Info* bulletin, which sets out the foundation's recent and future activities
- Catalogues of exhibitions and the results of conferences.

#### Banesto Cultural Foundation

This foundation promotes and develops all types of cultural activities, as well as development cooperation, defence of the environment and fostering the social economy and business training. Its activities include:

- Banesto SME Foundation School, which encourages the creation of jobs and the entrepreneurial spirit among SMEs
- Solidarity x2 programme
- Training Plan, together with the Institute of the Family-run Company, which undertook 15 training activities in 2004.

#### CIFF Foundation

The CIFF Foundation (International Centre of Financial Training), was created in 2001 by Grupo Santander and the University of Alcalá with the aim of becoming a reference in the economic and financial spheres. Training in economic and financial matters covers four main areas:

- Masters for those who recently graduated from the University of Alcalá de Henares
- Executive Masters for professionals with at least three years experience
- Higher courses of specialisation

#### Social commitment indicators

	2004	2003
<b>Support for education and culture</b>		
Number of education cooperation agreements	624	644
Number of projects supporting education and culture	182	172
Total investment in cultural and education projects (euros)	78,923,423	42,895,307
<b>Support for social development</b>		
Number of social development projects	193	220
Total investment in social development projects (euros)	3,890,161	4,104,924



# The environment

Central patio, Pereda Building  
March 2005,  
Ciudad Grupo Santander

The Group pays particular attention to two main considerations: creating the best working conditions and caring for the environment

## Reader's guide

Our actions in the environment	88
Environment Committee	88
Direct impact of the Group's activities	88
ISO 14001 Certificates	88
Control of inputs and recycling	88
Environmental awareness and training of employees	89
Publications	89
Indirect impact of the Group's activities	90
Financing of renewable energy projects	90
Analysis of environmental risks in lending	90
Environmental consultancy	91
Environmental aspects on the basis of stakeholders	91
Support for environmental conservation programmes	92
Indicators	92



## Consumption of paper

3,310 tonnes in 2004

3,352 tonnes in 2003

3,968 tonnes in 2002

South façade, Amazonia Building  
March 2005, Ciudad Grupo Santander



The CO<sub>2</sub> emissions produced in preparing the Annual Report on Corporate Social Responsibility were offset by acquiring the corresponding rights of emissions in the market and donating this amount to a non-profit making entity

South façade, Pampa Building  
March 2005, Ciudad Grupo Santander

CO<sub>2</sub> emissions in thousands of tonnes

70.9 in 2004

63.7 in 2003

72.9 in 2002

East façade, Pereda Building  
March 2005, Ciudad Grupo Santander



## The environment

## Our commitment

### Respect, active protection:

We are fully committed to respect for the environment, cooperating in initiatives that foster protection and involving all the Group's employees in improving the environment, with special emphasis on banking activities.

## Scale\*

	2004	2003
Paper consumption (thousands of tonnes)**	3.31	3.35
Energy consumption (in Gjs)	1,076,524	1,019,469
Water consumption (in '000m3)	1,145	926
CO2 emissions (in tonnes)	70,994	63,766

\* Central services in Spain

\*\* Including Portugal and Banesto

## Main actions in 2004

- Measures taken to reduce and recycle inputs at Ciudad Grupo Santander
- ISO 14001 Certificate for the Santa Fe headquarters of Santander Serfin, Mexico
- Creation of the Environment Committee
- Development of the environmental risk control tool
- Compensating for the CO<sub>2</sub> emissions arising from producing the CSR Report

## Objectives in 2005

- Development of activities to comply with the Kyoto Protocol
- Continued control of direct inputs
- Make progress in indirect inputs: financing of biomass plants
- ISO 14001 Certificate for Ciudad Grupo Santander, Spain



## The environment

# Our actions in the environment

## Environment Committee

The Environment Committee was created in 2004, which centralises and promotes the Group's environmental measures and policies. It comprises representatives of the different areas that control activities related to their impact on the environment. The committee is responsible for approving the environmental policy, the objectives and goals and ensuring an efficient environmental management system is installed.

Grupo Santander has had an environmental policy since 2002. It is set out in an internal document that is disseminated within the Group and available to the public on the corporate website ([www.gruposantander.com](http://www.gruposantander.com)).

The Group was not fined or subject to court rulings during 2004 in relation to compliance with environmental regulations.

## Direct impact of the Group's activities

### ISO 14001 certificates

Grupo Santander's goal is to obtain environmental certificates for some of its main sites.

Obtaining a certificate requires a lot of work, beginning with documentation of the procedures and consumption in order to then obtain, after a strict audit, the corresponding certificate.

The main benefits of an ISO 14001 Certificate are:

- Making employees aware of the environment and fostering this
- Complying with environmental rules and regulations, which entails greater competitiveness
- Minimising the environmental impact
- Significant cut in operating costs
- More efficient use of electricity, drinkable water and paper, among other elements.

Grupo Santander currently has two ISO 14001 environmental certificates, one for the headquarters of Santander Santiago in Chile, obtained in 2003, and the other for Santa Fe of Santander Serfin, Mexico, granted in 2004.

The latter was the first time for a bank in Mexico.

The environmental management system in Mexico has already produced its first results: energy consumption fell by 30% and that of water by 5%.

Ciudad Grupo Santander, in Spain, is in the process of obtaining certification during 2005. In 2004 it began to implement the environmental management system, starting the process of documentation of indicators, redefining processes, measurements and setting of objectives.

Employees and suppliers are involved in this process.

### Control of inputs and recycling

The main inputs of the parent bank in Spain take place at Ciudad Grupo Santander, and are electricity – in order to cut down on consumption the lights in the administrative buildings are turned off as of 8pm – and paper – 56% of that consumed is recycled. Both elements are regularly monitored in order to adopt measures aimed at reducing and optimising consumption.

Other less important indicators are also measured at Ciudad Grupo Santander, such as water, natural gas and gas oil.

The Group signed with the Canal de Isabel II company in December 2004 an agreement to supply recycled water for Madrid's green zones.

In paper consumption, the 3 Rs Plan (reduce, recycle, reuse) was strengthened following the agreement with

the paper association ASPAPEL, which is responsible for collecting and recycling paper used at the Ciudad, as well as giving training and environmental awareness courses to employees.

As regards waste management, a system was implemented at the Ciudad which covers all types of waste produced: urban, dangerous and bio sanitary.

Different types of containers have been installed for each type of waste so that separation can be made at source.

Each employee has at their workplace rubbish bins with two compartments, one for glass and tins and the other for paper, and in the common zones there are containers for the selective collection of paper, toners, used batteries, organic material, glass and tins.

The waste generated in auxiliary activities – restoration, maintenance of installations and cleaning – has its own containers.

All the waste is regularly removed by specialised personnel, who give it the most appropriate treatment on the basis of its type, including dangerous waste produced in auxiliary activities of maintenance – fluorescent tubes, batteries, electrical and electronic equipment, containers of chemical and absorbent products – as well as bio sanitary waste at the medical centre.

Another initiative was the launch, together with the Spanish Red Cross and the Entreculturas Foundation, of a campaign to collect and recycle unused mobile telephones. Collection points have been put in all administrative buildings.

Santander Central Hispano, in Spain, applies the 3 Rs Plan in all its workplaces.

Banesto, in Spain, continued to install systems to reduce consumption. In 2004, they were used in 144 workplaces. Consumption was cut by 15%. The reduction in electricity consumption was 4% over 2003, 10% in water and 17% in paper (907.38 tonnes consumed). Consumption of toners was 20% lower.

Santander Totta, in Portugal, also has its 3 Rs Plan and it enabled consumption of paper to be 5% lower than in 2003 (55 tonnes less).

Santander Santiago, Chile, made progress in its Zero Paper campaign and in the rational use of natural resources.

Abbey, in the United Kingdom, has an environmental policy approved by the Executive Committee. The head of the Risks Division is responsible for managing environmental risks and senior executives are directly responsible for ensuring compliance.

Environmental activity is subject to internal audits and the published information is externally audited. Abbey is also part of the United Nations Environment Programme Finance Initiative and subscribes to the Carbon Disclosure Project.

### Environmental awareness and training of employees

The participation and involvement of all employees is vital in order for Grupo Santander to be able to enact its environmental policy. During 2004 the training in environmental matters for employees of the Risks Area was completed.

In Spain, activities to make employees more aware of the environment and train them were strengthened. Training sessions were held on how to reduce consumption of paper and encourage the correct separation of waste, and communiqués were regularly issued via the corporate Intranet on environmental issues.

Information on the environment was also incorporated to the reception courses for new employees.

### Publications

The magazine *Cuadernos de Sostenibilidad y Patrimonio Natural*, published by the Santander Central Hispano Foundation, disseminates information on the seminars, debates, meetings and other initiatives regarding conservation of the natural heritage and caring for the environment.

Two new issues were published during 2004 one on the seminar on International Strategies of Climate Change in Spain and Latin America, and the other on the International Tourism Seminar, Natural Heritage and Biodiversity.

## Indirect impact of the Group's activities

### Financing of renewable energy projects

As part of its policy of financing projects with a positive impact on the environment, new agreements were signed in 2004 to finance wind-powered energy parks amounting to EUR 620 million. The parent bank in Spain has participated since 1995 in the financing of MW 2,400 of wind-powered energy, more than one quarter of the total installed and under construction in Spain.

### Analysis of environmental risks in lending

Grupo Santander's commitment to the environment was strengthened with the establishment as scheduled – December 2003 – of the System for Assessing Environmental Risks (VIDA). This tool was developed with Compañía Española de Seguros de Crédito de Exportación (CESCE) and Garrigues Medioambiental.

The main function of VIDA is to evaluate, with the degree of depth determined by the Group's policy and on the basis of the nature of the business and its

main magnitudes, the environmental risk inherent in each activity.

The system uses questions adapted in each case to the company's activity, with the minimum of interference in the relation with customers and, over time, establish a system based on internationally accepted rules and standards which allow a high degree of objectivity.

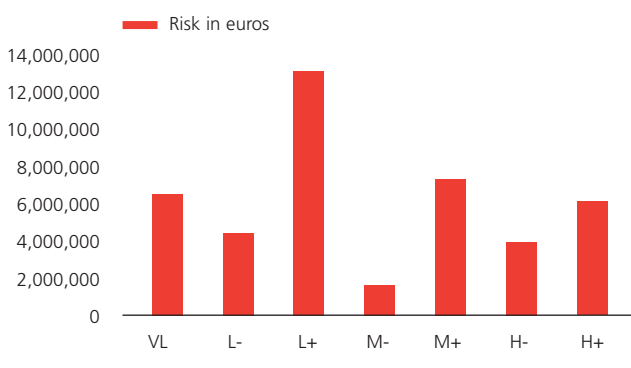
All the Group's company risk analysts underwent training during 2004 in the use of VIDA in their day-to-day work.

By December 2004, 34,721 companies had been assessed – Very Low, Low, Medium and High – in the most basic level of analysis. This created the first environmental risk map of the portfolio of companies in Spain.

On the basis of this initial map, the results were analysed in the light of the main variables involved in order to establish the points beyond which a deeper assessment will be made, so that, via various parameters measuring the relative importance of each client, the need was established to analyse 3,430 customers more deeply. This number was 10% below the target population of the analysis and represented more than 50% of the risk.

A more specialised analysis produces an even more precise assessment of the environmental risks assumed; it enables the model to be reviewed on the basis of the experience acquired; and facilitates the establishment of increasingly objective policies in terms of evaluation and the consequences of the assessment of environmental risk.

### Classification of Average Environmental Risk



### Environmental risk: companies assessed

	Total assessed		Validated		Additional analysis	
	Clients	Risk (000)	Clients	Risk (%)	Clients	Risk (%)
VL	2,489	5,462	2,460	9.0	29	6.7
L-	2,814	2,720	2,797	5.5	17	2.3
L+	12,269	11,973	12,159	25.2	110	9.1
M-	1,758	798	1,742	1.7	16	0.6
M+	8,352	6,656	7,630	10.9	722	8.1
H-	3,221	2,069	2,682	1.8	539	4.1
H+	3,818	5,261	2,345	1.6	1,473	13.4
<b>Total</b>	<b>34,721</b>	<b>34,938</b>	<b>31,815</b>	<b>55.6</b>	<b>2,906</b>	<b>44.4</b>

## Environmental consultancy

The European Union market of CO<sub>2</sub> emissions was launched on 2005. Close to 15,000 industrial and energy plants have a position in carbon emission rights. The objective is to reduce CO<sub>2</sub> emissions at the lowest cost possible in order to meet the Kyoto Protocol targets.

The EU Emissions Trading Scheme (ETS) represents an allocation of emission rights for European companies of around EUR 20,000 million, with a forecast trading volume for Spain in 2005 of EUR 200-300 million.

The value of Europe's climate change sector, which includes clean technology, energy and clean fuels and carbon finance, was around EUR 30,000 million in 2004, and will probably reach close to EUR 200,000 million in 2010.

Grupo Santander, via its subsidiary Santander Investment Services, signed an agreement, which came into effect in January 2005, with the company Climate Change, the world's largest financial entity

specialising in financial entities whose activities are affected by climate change policies. Santander and Climate Change will work together to provide financial advice to Spain's climate change sector.

The two entities will focus on utilities, oil and gas companies, paper, pottery and renewable energy, among others, which are the ones most affected by the commitments to reduce greenhouse gases because of the Kyoto Protocol and the European Union's trade framework for emissions. They will also find solutions for official institutions.

Under the agreement, Grupo Santander contributes its international presence and financial capacity and Climate Change provides deep knowledge of the business sectors related to the environment – renewable energy, clean technologies, bio fuels, energy savings and carbon finance.

Grupo Santander, within the sphere of climate change, participates in the Carbon Disclosure Project. The entities that do so make public their position on environmental matters and report on the measures taken to prevent climate change.

## Environmental actions on the basis of stakeholders

Customers	Reduction in the number of letters and statements sent Fostering the use of on-line banking Santander Solidaridad Fim, a socially responsible mutual fund EUR 620 million of financing of wind-powered energy parks, biomass plants and bio fuels Analysis of environmental risks in lending, using the VIDA tool Environmental consultancy in the CO <sub>2</sub> emissions market
Shareholders	Presence in the socially responsible indices, Dow Jones Sustainability, FTSE4Good and FTSE ISS Paper and energy consumption savings by encouraging use of the website and electronic voting at Shareholders' Meetings
Employees	Programmes to reduce consumption and recycling in the Group's banks Improved environment at the main offices in Chile, Mexico and Spain Training programmes
Suppliers	Environmental commitment of external suppliers following the establishment of the environmental management system at Ciudad Grupo Santander.
Community	The Group's foundation promotes respect for and conservation of the environment, via programmes, publications and seminars. Support for specific environmental conservation programmes.

## Support for environmental conservation programmes

### Santander Banespa, Brazil

- Investment of 2.46 million reales in recovering the Tiete Ecological Park on its 22nd anniversary. The park has 14 million square metres and receives close to 40,000 visitors every weekend.

### Santander Totta, Portugal

- The *Reconstruct the Future* programme, started after the forest fires in the summer of 2003, continued. Totta signed an agreement with the Portuguese Confederation of Farmers to help them re-establish the potential of the destroyed

agricultural output. Under this programme, three homes were delivered for those affected by the fires; help equipment was bought, including two Red Cross ambulances; the international meeting "Territory and Forest-fire Prevention" was held; post graduate courses in forestry policy were held; and research grants made available.

### Banco de Venezuela

- Its foundation conducts the "Palmas por la Vida" programme, which conserves palm trees in cities and towns (*palma charaguano*) affected by a disease.
- Seminars on reforestation in the status of Anzoátegui and Lara.

## Indicators of the direct environmental impact

Grupo Santander Central Services	2004	2003	2002
Paper consumption (tonnes)*	3,310	3,352	3,968
Percentage of recycled paper	23.6%	15.1%	
Energy consumption (Gjs)	1,076,524	1,019,469	995,015
Indirect consumption of energy (Gjs)	1,858,648	1,713,977	1,720,264
Water consumption ('000 m3)	1,145	926	1,165
Total emissions of CO2 (tonnes)	70,994	63,766	72,997
Indirect emissions of CO2 (tonnes)	11,458	11,637	11,843
Travel by the Group ('000 of kms car)	25.9	26.6	26.6
Travel by the Group (hours flying)	53,827	54,203	55,867

\* Including Portugal and Banesto

## Environmental indicators

	2004	2003	2002
Improvement in the environment			
Number of projects to protect and improve the environment	22	11	7
Total investment in projects to protect and improve the environment (euros)	1,395,868	668,427	20,318



## **REPORT ON AGREED-UPON PROCEDURES FOR THE EXTERNAL VERIFICATION OF THE INDICATORS OF THE GRUPO SANTANDER 2004 CORPORATE SOCIAL RESPONSIBILITY REPORT**

To Management of the Santander Group:

We have performed the procedures agreed upon with you, which are listed below, regarding the indicators of the *Grupo Santander 2004 Corporate Social Responsibility Report*. The preparation of this report is the sole responsibility of the Technical Secretariat, Institutional Relations and Corporate Social Responsibility Area.

Our work was conducted in accordance with the *Global Reporting Initiative (GRI) Guide for the Preparation of Sustainability Reports (2002 version)* and with the generally accepted professional standards in Spain relating to agreed-upon procedures.

The procedures performed were as follows:

- Meetings with Grupo Santander management to gather the information required for the external verification.
- Checking the content of the Corporate Social Responsibility Report does not contradict any relevant information furnished by Grupo Santander in its Annual Report.
- Analysis of the adaptation of the contents and structure of the Corporate Social Responsibility Report to the GRI standard and check that the established indicators correspond to GRI recommendations.
- Review, by means of sample-based tests, of the calculation of the quantitative performance indicators included in the report, and of the adequate compilation thereof based on the data supplied by the Grupo Santander information sources.
- Review of the qualitative aspects of the indicators included in the Grupo Santander 2004 Corporate Social Responsibility Report.
- Analysis of the reasonableness of the criteria used by Grupo Santander to classify some indicators as "not applicable" or "not available".

The review of the indicators focused solely on those included by Grupo Santander in its 2004 Corporate Social Responsibility Report.

The table attached to this report includes a list of the 71 indicators analyzed and a description of the type of verification performed. For this purpose, verifications were defined as partial when they were performed only on data from one particular country or activity.

As a result of the application of the agreed-upon procedures described above, our findings are as follows:

- The structure and contents of the Grupo Santander Corporate Social Responsibility Report comply with the principles and guidelines of the GRI standard. However, due to the particular features of the financial business and the Group's specific information systems, it was necessary to adapt the GRI indicators, as can be seen in the attached table.
- Generally, when information was not available for all the countries or for all the activities carried on by the Group, this was indicated in the section of the report describing the related indicator.

The scope of the agreed-upon procedures applied was limited to the verification of the aforementioned indicators for 2004. If we had performed additional procedures, other matters might have come to light that would have been reported to you.

Madrid, March 29, 2005

DELOITTE

Helena Redondo

Indicators verified per GRI nomenclature			Indicators verified per Santander Group nomenclature	Result of verification by Deloitte	Verification process performed	Pages
Economic performance indicators	EC-1	Net sales	Net operating income	✓	Conformity with the data included in the audited 2004 financial statements	6
	EC-2	Geographic breakdown of markets	Main markets by geographic area	✓	Conformity with the data included in the audited 2004 financial statements	7
	EC-3	Cost of all goods, materials and services purchased	General expenses	✓	Conformity with the data included in the audited 2004 financial statements	60
	EC-4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	Percentage of contracts paid in the conditions agreed	✓	Conformity with the Statement by the Head of the Purchasing Department	62
	EC-5	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region	Wages and salaries	✓	Conformity with the data included in the audited 2004 financial statements	6
	EC-6	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	Total dividends	✓	Conformity with the data included in the audited 2004 financial statements	6
	EC-7	Increase/decrease in retained earnings at end of period	Reserves	✓	Conformity with the data included in the audited 2004 financial statements	6
	EC-8	Total sum of taxes of all types paid broken down by country	Tax on income and other	✓	Conformity with the data included in the audited 2004 financial statements	6
	EC-10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group	Investment in Social Responsibility	✓	Review, for a sample, of the payments made and of the supporting documentation of the donations	6,66,82-83
	EC-11	Supplier breakdown by organization and country	Detail of suppliers that represent more than 10% of total purchases in each country	✓	Conformity with the Statement by the Head of the Global Purchasing Department	60,62
	EC-12	Total spent on non-core business infrastructure development	Investment in infrastructure not related to activity	✓	In situ checking of the percentage of completion of daycare center, shopping mall, sports center and other facilities at the Santander Group's Business Campus at Boadilla del Monte	50,55
	EC-13	The organization's indirect economic impacts	Externalities and other indirect impacts of the Group's activity	✓	Check of the existence of agreements with special employment centers and Climate Exchange. Verification of the existence of socially-responsible mutual funds	26,27,63, 91
Social performance indicators: employment practices	LA-1	Breakdown of workforce, where possible, by region/country, status, employment type, and by employment contract	Distribution of the workforce, by entity	✓	Check of the adequate compilation of the data generated by the Group's Human Resources information systems	46
	LA-2	Net employment creation and average turnover segmented by region/country	Net creation of employment and percentage of personnel promoted	✓	Check of the adequate compilation of the data generated by the Group's Human Resources information systems	6,47,57
	LA-3	Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country	Percentage of employees covered by collective agreements, by country	✓	Conformity with the information included in the Annual Report of the Human Resources - Personnel Technical Secretariat for the case of Spain	51
	LA-4	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations	Current policy and procedures at the Bank to inform, consult and negotiate profound changes in the organization	✓	Checking that the Chairman's letter was sent to all employees and subsequent handling of the replies	54
	LA-5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases	Practices on the recording and notification of accidents at work and illnesses	✓	Conformity with the official data of the Group's Summary Occupational Accident Report for Spain	49

Indicators verified per GRI nomenclature		Indicators verified per Santander Group nomenclature	Result of verification by Deloitte	Verification process performed	Pages	
Social performance indicators: employment practices	LA-6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees	Joint management and employee committees on health and safety at work	✓	Verification of workers' representation in the Minutes of the Quarterly Meetings of the National Health and Safety Committee held in Spain in 2004	49
	LA-7	Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers)	Accident ratios: Seriousness, fatal accidents and absenteeism due to illness	✓	Conformity of the information with the official statistics of the Group's Human Resources - Personnel Technical Secretariat	57
	LA-8	Description of policies or programs (for the workplace and beyond) on HIV/AIDS	Anti-Aids programs, within and outside the workplace	✓	Checking the documentation relating to the programs performed in Brazil in this connection	49
	LA-9	Average hours of training per year per employee by category of employee	Hours of training per employee	✓	Conformity with the human capital indicators prepared by the Training and Development Management section of the Human Resources Area with the data generated by the Group's information systems	53
	LA-10	Description of equal opportunity policies and programs, as well as monitoring systems to ensure compliance and results of monitoring	Equal opportunities policy	✓	Check of the accession letters to the Global Agreement and recognition of the Institute of Women's Affairs	51
	LA-11	Composition of senior management and corporate governance bodies (including the Board of Directors), including female/male ratio and other indicators of diversity as culturally appropriate	Composition of the Board of Directors	✓	Checking the composition of the Board with the Santander Group's 2004 Annual Report	12
	LA-12	Employee benefits beyond those legally mandated	Employee services and benefits	✓	Checking such benefits exist through the Group's internal communication channels. Verification of the methods for calculating aid from the Welfare Assistance Fund and entitlement criteria	49-50
	LA-13	Provisions for the formal representation of workers in decision-making and in management, including corporate governance	Internal communication channels	✓	Checking existence of internal communication channels and the measures taken by the Chairman's Office and the General Management of Abbey. Checking the progress in 2004 of the programs developed in 2003 following Mr. Emilio Botin's letter to employees	54
	LA-14	Evidence of compliance with the ILO Guidelines for Occupational Health Management Systems	Compliance with ILO occupational health guidelines	✓	Checking the existence of manuals and other training and information items relating to occupational health and safety which are accessible to all Group employees	49
	LA-15	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements	Agreements with unions and labor organizations regarding occupational health and safety	✓	Verification of compliance with the agreements on computer screens entered into with the workers' representatives in Spain and employee information regarding occupational health practices and ergonomics	49
	LA-16	Description of programs to support the continued employability of employees and to manage career endings	Training programs for the continuation of employees and collaboration as they reach the end of their career	✓	Verification of the collective labor agreement on early retirements dated June 2004. Verification of adequate compilation of the data generated by the Group's Human Resources information systems regarding professional development	48,51-53
	LA-17	Specific policies and programs for skills management or for lifelong learning	Training policies and programs for skill management and lifelong learning	✓	Verification of the content of the Group's Training Policy and the 2004 Training and Development Guide	52-53

Indicators verified per GRI nomenclature			Indicators verified per Santander Group nomenclature	Result of verification by Deloitte	Verification process performed	Pages
Social performance indicators: human rights	HR-1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	Policies, guidelines, corporate structure and procedures for all aspects of human rights regarding the Group's activity	✓	Verification of accession to the Global Agreement	47
	HR-2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	Evidence that the impact of human rights is taken into account when making investment and supply decisions, including the selection of suppliers	✓	Verification of accession to the Global Agreement and checking the actions performed to encourage the Group's suppliers to join	62
	HR-3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring	Policies and procedures to evaluate the respect for human rights in the supply chain	✓	Verification of accession to the Global Agreement and checking the actions performed to encourage the Group's suppliers to join	62
	HR-4	Description of global policy and procedures/programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	Policies and procedures to prevent discrimination at work	✓	Verification of accession to the Global Agreement and recognition of the Institute of Women's Affairs within the OPTIMA program	47,51
	HR-5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures / programs to address this issue	Policy of freedom of association and the degree to which this is universally applied independent of local regulations	✓	Verification of accession to the Global Agreement	51
	HR-6	Description of policy excluding child labor	Policy not to employ child labor	✓	Verification of accession to the Global Agreement and ratification of these policies by the Group's heads in Brazil and Venezuela	47
	HR-7	Description of policy to prevent forced and compulsory labor	Policy to prevent forced and compulsory labor	✓	Verification of accession to the Global Agreement and ratification of these policies by the Group's heads in Brazil and Venezuela	47
	HR-8	Employee training on policies and practices concerning all aspects of human rights relevant to operations	Training of employees on policies and practices regarding the Group's activity	✓	Checking the CSR training given to the Group's employees as part of the CSR Strategic Plan	53
	HR-9	Description of appeal practices, including, but not limited to, human rights issues	Description of appeal practices	✓	Checking the attention given to this type of complaints by the Group's Customer Service Area, based on an analysis of the procedure and the statistics generated	23
	HR-10	Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights)	Policy of no reprisals and an effective and confidential system for employees' complaints	✓	Checking of the existence of internal communication channels for suggestions and complaints	47
	HR-11	Human rights training for security personnel	Training in human rights for security personnel	✓	Checking of training requirements and, for a sample, confirmation of training of security companies in this respect	62
	HR-12	Description of policies, guidelines, and procedures to address the needs of indigenous people	Policies, guidelines and procedures for the needs of indigenous communities	✓	Checking of accession to the Global Agreement and of the Santander Group's participation in Movimiento Unicidad (Brazil)	47,80
	HR-13	Description of jointly managed community grievance mechanisms/authority	Mixed bank/community mechanisms to tend to the complaints of the local community	✓	Checking the attention given to complaints from regulators (national central banks and stock market governing bodies) by the Group's Customer Service Area	24
	HR-14	Share of operating revenues from the area of operations that are redistributed to local communities	Percentage of revenue redistributed in local communities in the zone where it is generated	✓	Check, for a sample, of the CSR resources allocated and of the supporting documentation of the donations and other expenses	6,66,82-83

Indicators verified per GRI nomenclature			Indicators verified per Santander Group nomenclature	Result of verification by Deloitte	Verification process performed	Pages
Social performance indicators: Society	SO-1	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring	Policy to manage the impact of banking activities on areas affected by activities	✓	Checking of the requirements of the VIDA Program applied to the valuation of environmental risks relating to granting of loans	90
	SO-2	Description of the policy, procedures/management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption	Policy, procedures and mechanisms for the bank and employees to prevent bribery and corruption	✓	Analysis of the Group's Code of Conduct and of the obligation to apply it through the Group General Secretary's Office. Verification of the compilation of data and analysis of the practices established by the Group to prevent money laundering	28-29,63
	SO-4	Awards received relevant to social, ethical, and environmental performance	Prizes received for social, ethical and environmental behavior	✓	Checking the information published by the various entities from which the Group received awards to determine whether they were for social, environmental or ethical performance	29-30
Social performance indicators: product responsibility	PR-1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	Safety policies at bank branches and other practices to ensure customer safety	✓	Checking of the existence of emergency and fire plans and drills in offices and specific buildings, which include customer participation. Checking of the existence of specific policies and practices to guarantee customer security in electronic transactions	25
	PR-2	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labeling	Policies, procedures and mechanisms to manage and fulfill product information and labeling requirements	✓	Checking, for a sample of Group branches, the Group's regulations in relation to declarations of types of transactions, interest rates, fees and expenses, and stock markets, and of the awareness thereof. Checking of the application of such regulations in products offered over the Internet	24
	PR-3	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy	Policies, procedures and mechanisms to manage and fulfill the protection of customer privacy	✓	Checking of in-house circulars in this respect	23
	PR-6	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received	Compliance with voluntary code on product information. Related awards	✓	Checking, using public information, the Group's participation in entities which encourage compliance with voluntary advertising codes	19, 29-30
	PR-7	Number and type of instances of noncompliance with regulations concerning product information and labeling, including any penalties or fines assessed for these breaches	Information regarding noncompliance or penalties relating to product information	✓	Confirmation from the Group's Legal Services	28
	PR-8	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction. Identify geographic areas covered by policy	Management policies and procedures and compliance mechanisms regarding customer satisfaction	✓	Conformity of the data with the Customer Satisfaction surveys prepared by Group Quality Management	22-23
	PR-9	Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising	Management policies and procedures and compliance mechanisms for adherence to voluntary advertising codes	✓	Checking of the current Ethical Codes of Practice for the Communication and Marketing Area	28
	PR-10	Number and types of breaches of advertising and marketing regulations	Breaches and rulings against the Group relating to marketing and advertising	✓	Confirmation from the Group's Legal Services	28
	PR-11	Number of substantiated complaints regarding breaches of consumer privacy	Number of complaints regarding privacy	✓	Checking the data against the customer service statistics	24



Indicators verified per GRI nomenclature			Indicators verified per Santander Group nomenclature	Result of verification by Deloitte	Verification process performed	Pages
Environmental performance indicators	EN-1	Total materials use other than water, by type	Paper consumption	✓	Conformity of paper consumption in Spain and Portugal with Global Purchasing Department statistics	87,92
	EN-2	Percentage of raw materials used that are wastes (processed or unprocessed) from sources external to the reporting organization	Percentage of recycled paper used	✓	Conformity of recycled paper used by BSCH España with Global Purchasing Department statistics	92
	EN-3	Direct energy use segmented by primary source	Energy consumption	✓	Conformity of data for Spain with Global Purchasing Department statistics	87,92
	EN-4	Indirect energy use	Indirect energy use	✓	Checked: calculation using the methodology established in the pilot version of the GRI Energy Protocol from the electricity purchase data available in Spain	92
	EN-5	Total water use	Water consumption	✓	Conformity of data for Spain with Global Purchasing Department statistics	87,92
	EN-8	Greenhouse gas emissions	Total CO2 emissions	✓	Checking of estimates made in Spain using Global Purchasing Department statistics	87,92
	EN-11	Total amount of waste by type and destination	Description of initiatives and systems implemented to adequately manage waste	✓	Checking of the existence of waste management systems and contracts with authorized handlers, and related actions performed at the Santander Group's Business Campus	89
	EN-14	Significant environmental impacts of principal products and services	Evaluation of indirect environmental impact of products and services	☑	Checking of the valuations performed in accordance with the VIDA Program statistics. Contrast of data supplied relating to training on this tool for risk analysts	90
	EN-16	Incidents of and fines for noncompliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues	Environmental fines and penalties	☑	Confirmation from the Group's Legal Services	88
	EN-17	Initiatives to use renewable energy sources and to increase energy efficiency	Initiatives to use renewable energy sources or to increase internal and external energy efficiency	☑	Conformity of data on financing of investment in renewable energies with Santander Investment information systems. Checking of the initiatives carried out at the Santander Group's Business Campus	88-90
	EN-19	Other indirect (upstream/downstream) energy use and implications, such as organizational travel, product lifecycle management, and use of energy-intensive materials	Organizational travel	✓	Conformity of data for Spain with Global Purchasing Department statistics	92
	EN-22	Total recycling and reuse of water	Water reuse and recycling initiatives	☑	Checked: existence of a Supply Agreement with Canal de Isabel II which envisages the use of recycled water at the Santander Group's Business Campus	88
	EN-27	Objectives, programs, and targets for protecting and restoring native ecosystems and species in degraded areas	Actions relating to the protection of native ecosystems and species	☑	Checked: existence of the "Reconstructing the Future" (Totta) Project regarding recovery of areas devastated by forest fires in Portugal	92

Indicators verified per GRI nomenclature			Indicators verified per Santander Group nomenclature	Result of verification by Deloitte	Verification process performed	Pages
Environmental performance indicators	EN-30	Other relevant indirect greenhouse gas emissions. (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> )	Indirect CO <sub>2</sub> emissions	✓	Conformity of data for Spain with Global Purchasing Department statistics. Checking that the estimate of greenhouse gas emissions included in the Corporate Social Responsibility Report was based on reasonable assumptions and that methodologies and emission factors generally accepted by the scientific community for such estimates were used. Checking of the acquisition of emissions rights equivalent to the estimates contained in the CSR Report	86,92
	EN-33	Performance of suppliers relative to environmental components of programs and procedures described in response to Governance Structure and Management Systems section	Performance of suppliers in environmental matters	✓	Checked: actions established for suppliers with respect to environmental matters at the Santander Group's Business Campus	91
	EN-35	Total environmental expenditures by type	Investment in the environment	✓	Checking of the compilation of data on allocated resources based on the data and statistics available at Group level	92

## Indicators applicable to Santander Group activities about which no information is available or which are not contained in the 2004 CSR report

EC-9	Subsidies received, broken down by country or region
SO-3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions
SO-5	Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates
SO-6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations
SO-7	Description of policy, procedures/management systems, and compliance mechanisms for preventing anticompetitive behavior
PR-4	Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches
EN-9	Use and emissions of ozone-depleting substances
EN-10	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type

## Indicators not applicable to Santander Group activities

PR-5	Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services
EN-6	Location and size of land owned, leased, or managed in biodiversity-rich habitats
EN-7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments
EN-12	Significant discharges to water, by type
EN-13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume
EN-15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed
EN-18	Energy consumption footprint (i.e. annualized lifetime energy requirements) of major products
EN-20	Water sources and related ecosystems/habitats significantly affected by use of water
EN-21	Annual withdrawals of ground and surface water as a percent of annual renewable quantity of water available from the sources
EN-23	Total amount of land owned, leased, or managed for production activities or extractive use
EN-24	Amount of impermeable surface as a percentage of land purchased or leased
EN-25	Impacts of activities and operations on protected and sensitive areas
EN-26	Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored
EN-28	Number of IUCN Red List species with habitats in areas affected by operations
EN-29	Business units currently operating or planning operations in or around protected or sensitive areas
EN-31	All production, transport, import, or export of any waste deemed "hazardous" under the terms of Basel Convention Annexes I, II, III, and VIII
EN-32	Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff
EN-34	Significant environmental impacts of transportation used for logistical purposes

✓ Verification of a qualitative indicator

✓ Verification of a quantitative indicator

✓ Partial verification of a qualitative indicator (country or activity)

✓ Partial verification of a quantitative indicator (country or activity)

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