

# Second-Party Opinion

## Santander Group

### Green, Social & Sustainability Funding

#### Global Framework

#### Evaluation Summary

Sustainalytics is of the opinion that the Santander Group Green, Social & Sustainability Funding Global Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Green Loan Principles 2023, Social Bond Principles 2021 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories<sup>1</sup> for the use of proceeds are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 9, 11, 12, 13 and 15.



**PROJECT EVALUATION AND SELECTION** Santander Group has established a Global Sustainability Funding Steering group and Local Sustainability Funding Steering groups, which are responsible for the project evaluation and selection process in accordance with the eligibility criteria under the Framework. Santander Group has set up policies to assess environmental and social risks associated with the borrower's activities, which are applicable to Santander Group's all lending decisions. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Santander Group's Local Sustainability Funding Steering groups will manage and track the allocation of proceeds on a portfolio basis through an Eligible Assets Register. The deposits issued under the Santander Group Green, Social & Sustainability Funding Global Framework will have a fixed term and will be capped and replenished. Santander Group intends to allocate all the proceeds within three years from issuance. Pending full allocation, proceeds will be temporarily held in accordance with Santander Group's normal liquidity management policy. This is in line with market practice.



**REPORTING** Santander Group commits to report on the allocation of proceeds and corresponding impact through an annual report until full allocation. Allocation reporting will include the amount of proceeds allocated to each eligible asset including eligible asset category, the balance of unallocated proceeds and the share of refinancing versus financing. Sustainalytics views Santander Group's allocation and impact reporting as aligned with market practice.



<b>Evaluation date</b>	June 20, 2023 <sup>2</sup>
<b>Issuer Location</b>	Madrid, Spain

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<sup>1</sup> The eligible green categories are: Energy; Transport; Energy Efficient Products, Technologies and Software Applications; Agriculture, Forestry and Livestock; Real Estate; Water and Waste Management; Manufacturing; and Other Activities Related to Climate Change Mitigation/Adaptation. The eligible social categories are: Education; Healthcare; Transport; Energy; Water and Waste Management; Real Estate; Finance and Insurance; IT and Communications; and Non-profit Organizations.

<sup>2</sup> This document is an update to the Second-Party Opinion originally provided on 09 February 2022.

## Introduction

Santander Group<sup>3</sup> (“Santander” or the “Group”) is a Spanish multi-national financial services group focusing on retail and commercial banking. Santander S.A., the Group’s parent company, is headquartered in Madrid, Spain and has major operations in South America, Europe and North America. The Group employs approximately 200,000 people globally as of 2022.

Santander has developed the Santander Group Green, Social & Sustainability Funding Global Framework (the “Framework”) dated June 2023, under which the Santander Group and its subsidiaries intend to issue green, social and sustainability bonds; securitized bonds; loans; commercial papers; structured and promissory notes; and deposits. The proceeds will be used the finance or refinance, in whole or in part, existing or future projects that are expected to provide positive environmental and social impacts globally. The Framework defines eligibility criteria in the following eight green areas and nine social areas.

Green categories:

1. Energy
2. Transport
3. Energy Efficient Products, Technologies and Software Applications
4. Agriculture, Forestry and Livestock
5. Real Estate
6. Water and Waste Management
7. Manufacturing
8. Other Activities Related to Climate Change Mitigation/Adaptation

Social categories:

9. Education
10. Healthcare
11. Transport
12. Energy
13. Water and Waste Management
14. Real estate
15. Finance and Insurance
16. IT and Communications
17. Non-Profit Organizations

Santander engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP), Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).<sup>4</sup> The Framework will be published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA; and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA and LSTA;

<sup>3</sup> Santander Group means Banco Santander, S.A. and all of its consolidated subsidiaries or issuing entities.

<sup>4</sup> The Green Bond Principles and the Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>. The Green Loan Principles and the Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at [https://www.lsta.org/content/?\\_industry\\_sector=guidelines-memos-primary-market](https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market)

<sup>5</sup> The Santander Group Green, Social and Sustainability Funding Global Framework is available on Santander Group’s website at: <https://www.santander.com/en/our-approach/inclusive-and-sustainable-growth/supporting-the-green-transition>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Santander's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Santander representatives have confirmed that: (1) they understand it is the sole responsibility of Santander to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Santander.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Santander is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Santander has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Santander Group Green, Social & Sustainability Funding Global Framework

Sustainalytics is of the opinion that the Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories are aligned with those recognized by the GBP, SBP, GLP and SLP. The eligible green categories are: Energy; Transport; Energy Efficient Products, Technologies and Software Applications; Agriculture, Forestry and Livestock; Real Estate; Water and Waste Management; Manufacturing; and Other Activities Related to Climate Change Mitigation/Adaptation. The eligible social categories are: Education; Healthcare; Transport; Energy; Water and Waste Management; Real Estate; Finance and Insurance; IT and Communications; and Non-Profit Organizations.
  - Santander may provide general purpose lending and has communicated to Sustainalytics that such financing will only go towards companies that derive more than 90% of their revenue from activities that comply with the eligibility criteria outlined in the Framework. Sustainalytics notes that the GBP, SBP, GLP and SLP favour project-based lending and financing, which generally provides more transparency than non-project-based lending and financing. Nevertheless,

- Sustainalytics recognizes that the financing of pure play companies through green and social bonds is commonly accepted in the market as an approach that can generate positive impact.
- Sustainalytics also notes that the Framework allows financing of operating leases. Santander has confirmed to Sustainalytics that the proceeds will be reallocated if such leases mature before the maturity of the bonds or loans.
  - The Group has established a 36-month look-back period for the refinancing of operating expenditures, which Sustainalytics considers to be in line with market practice.
  - Green Use of Proceeds
    - Under the Energy category, the Group may finance or refinance the following projects:
      - Renewable energy production from solar, wind, tidal, geothermal and hydropower in accordance with the following criteria:
        - Solar projects include solar PV and concentrated solar power that generate at least 85% of electricity from the solar energy resources.
        - Geothermal projects with direct emissions below 100 gCO<sub>2</sub>/kWh.
        - Hydropower projects will be limited to: i) run-of-river plants without an artificial reservoir; ii) facilities with power density greater than 5 W/m<sup>2</sup> or life cycle emissions below 100 gCO<sub>2</sub>e/kWh for projects in operation before the end of 2019; or iii) facilities with power density greater than 10 W/m<sup>2</sup> or life cycle emissions below 50 gCO<sub>2</sub>e/kWh for projects in operation after the end of 2019. Sustainalytics notes that all new hydropower projects will be subject to an environmental and social impact assessment to ensure that no significant risks, negative impact or significant controversies related to the projects are identified.
        - Sustainalytics considers expenditures under this category to be aligned with market practice.
      - Hydrogen production
        - Hydrogen production through electrolysis powered by renewables or from sustainably sourced biomass, biogas, renewable natural gas or landfill gas. Santander has confirmed that the biomass would be sourced in accordance with the feedstock requirements under the bioenergy production sub-category below.
        - Production of ammonia from hydrogen produced through electrolysis powered by renewables or from sustainably sourced biomass, biogas, renewable natural gas or landfill gas.
        - Ammonia recovered from wastewater, excluding wastewater from fossil fuel operations.
        - Sustainalytics considers expenditures under this category to be aligned with market practice.
      - Bioenergy production
        - Bioenergy generated from non-waste feedstock that is certified by ISCC Plus<sup>7</sup> or RSB<sup>8</sup> with a life cycle emissions intensity below 100 gCO<sub>2</sub>e/kWh for electricity production or with life cycle emissions at least 65% lower than the fossil fuel baseline defined in the EU Renewable Energy Directive II<sup>9</sup> for biofuel production. Sustainalytics notes that Santander will pursue credible third-party certifications, such as RSB and ISCC PLUS, in order to meet adequate sustainability requirements, including on GHG emissions reduction and food security related to biomass production.
        - Bioenergy generated from waste biomass or second-generation biofuels such as forestry or agriculture residue or animal manure.<sup>10</sup> While the use of

<sup>7</sup> ISCC: <https://www.iscc-system.org/>

<sup>8</sup> RSB: <https://rsb.org/>

<sup>9</sup> Fossil fuel baselines for biofuel production facilities: i) Biofuels (for transportation) - 94 gCO<sub>2</sub>e/MJ; ii) Bioliqids (production of electricity) - 183 CO<sub>2</sub>e/MJ; and iii) Bioliqids (production of heat) - 80 CO<sub>2</sub>e/MJ as per the EU Renewable Energy Directive II. For outermost regions and non-EU countries, the following baseline is applicable for electricity generation: 212 g CO<sub>2</sub>e/MJ

<sup>10</sup> Sustainalytics notes that Santander has baseline assurance in jurisdictions where there are no laws that mitigate the effects of activities at the farm level as per the Group's Environmental, Social & Climate Change Risk Management: Activities That Require Special Attention And Prohibited Activities, at: <https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-environmental-social-and-climate-change-risk-policy-en.pdf>

livestock residue such as animal manure for biomass energy may improve the environmental performance of some agricultural operations, large- and mid-scale livestock farming has a significant carbon and water footprint which is not addressed by the use of livestock by-products in energy generation. Furthermore, such farming techniques may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation to provide positive impact in the short term.

- Energy generated from incineration of municipal solid waste where reusables and recyclables are segregated before incineration. Sustainalytics recognizes that energy from waste could take potentially recyclable materials out of circulation and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, the composition of residual waste is a crucial consideration for such projects to have low emissions intensities, particularly fossil carbon content. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends Santander to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
  - Landfill gas capture from closed or decommissioned landfills with gas capture efficiency of at least 75%. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Construction or repair of electricity transmission and distribution network in accordance with the following criteria:
    - Electricity grid with average emissions less than 100 gCO<sub>2</sub>e/kWh over a rolling five-year period.
    - Development of grid that is dedicated to connecting renewables or grid that supports at least 90% renewable electricity. Santander may also finance grid that transmits less than 90% renewable electricity. Sustainalytics notes that the Group uses a pro-rata approach to only finance expenditures that are proportional to the share of renewable energy in the grid and limits investments to projects where the share of renewable energy in the grid is expected to increase.
    - Projects that aim to improve electrical systems' efficiency, such as smart grid development, distributed generation and peak demand management.
    - Santander will exclude financing of transmission lines and allocations that are directly connected or dedicated to fossil fuel power.
    - Sustainalytics considers expenditures under this category to be aligned with market practice.
  - Energy storage connected to renewables or to a grid as defined in the above sub-category, as Santander confirmed to Sustainalytics. Eligible projects include the following types of technologies:
    - Electrochemical, mechanical and thermal power storage.
    - The construction of hydrogen storage with an environmental and social impact analysis in place and the operation of power-to-hydrogen storage systems where hydrogen is produced through water electrolysis powered by renewables.
    - Sustainalytics considers investments under this category to be aligned with market practice.
  - Renewable energy procurement, including the following:
    - Medium- to long-term physical or virtual power purchase agreements.
    - Long-term bundled renewable energy certificates.

- Santander has confirmed to Sustainalytics that procurement related to renewable energy excludes power generated from nuclear and natural gas facilities, and in cases where not all energy is from renewables, a pro-rata approach will be used to finance the share of green allocation.
  - Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Transport category, Santander may finance or refinance the development or manufacturing of low-carbon passenger and freight transportation and related infrastructure, including:
- Land transport according to the following criteria:
    - Fully electric vehicles (EV), such as electric bikes, scooters, motorbikes, passenger cars, buses, light commercial vehicles, forklifts, shuttles, other coach services, public and shared transportation and trains.
    - Zero direct emission vehicles that are not intended for road transportation, such as cranes and forklifts.
    - Active mobility such as bicycles and other forms of self-propelled transportation.
    - Hybrid passenger vehicles and trains with a tailpipe emissions threshold below 50 gCO<sub>2</sub>e/pkm and freight vehicles and trains with a tailpipe emissions threshold below 25 gCO<sub>2</sub>e/tkm, to be considered as eligible investments only until the end of 2025.
    - Hydrogen-powered vehicles.
    - Railway transport infrastructure that support zero direct emissions rail transportation, passenger railway transport with emissions intensity below 50 gCO<sub>2</sub>e/pkm or freight railway transport with emissions intensity below 25 gCO<sub>2</sub>e/tkm, as Santander confirmed to Sustainalytics, .
    - Components used for green transportation, such as EV batteries. Santander has confirmed to Sustainalytics investments will be limited to components that are exclusively dedicated for use in green vehicles. In cases where the production facilities that make parts for conventional and green vehicles are financed, the green share of the expenditure is assessed on a pro-rata basis.
    - The Framework excludes freight transportation that transport more than 25% of fossil fuels by mass.
    - Sustainalytics considers investments under this category to be aligned with market practice.
  - Water transport, including solar, electric, hydrogen-powered boats, motorless sail boats and passenger and freight vessels with zero direct CO<sub>2</sub> emissions. Sustainalytics notes that the Framework excludes vessels that transport more than 25% of fossil fuels by mass and tank containers that transport fossil fuels or fossil fuels blended with alternative fuels. Sustainalytics considers investments under this category to be aligned with market practice.
  - Electric planes for freight transport or for small travels. The Group confirms in the Framework that it will not finance freight planes where fossil fuels account for more than 25% of the freight. Sustainalytics considers this to be aligned with market practice.
  - Transport infrastructure according to the following criteria:
    - Infrastructure for zero direct emissions transport, including electric charging points, grid connection upgrades, hydrogen filling stations and electric highways. Santander has confirmed to Sustainalytics that financing of electric highways will be limited to EV charging infrastructure and related electrical lines.
    - Infrastructure for non-motorized transport, such as bicycles and pedestrian mobility, including public walking and cycling infrastructure.
    - Infrastructure for electrified rail, non-electrified rail with a plan for electrification or that complies with the emission thresholds of 50 gCO<sub>2</sub>e/pkm for passenger rail and 25 gCO<sub>2</sub>e/tkm for freight rail.
    - Infrastructure dedicated to low-carbon transport as defined in the Framework for land transport and water transport.

- The Framework excludes expenditures on parking facilities, roads and infrastructure for transportation where fossil fuels account for more than 25% of freight transported.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficient Products, Technologies and Software Applications category, Santander may finance or refinance the following projects and technologies:
    - Hardware and software solutions aimed exclusively at supplying data and analysis for GHG reduction. This includes solutions such as decentralized technology, Internet of Things, 5G upgrades, artificial intelligence and satellite, wired and wireless telecommunications technologies for use in systems such as GHG emissions monitoring, and climate and early warning systems. Sustainalytics notes that the expansion of 5G and increasing data flow resulting from IoT solutions may lead to additional energy demands on telecommunications networks. Overall, Sustainalytics believes that the enabled energy savings and emission reductions outweigh the potential adverse effects of additional network demands and considers expenditures under this category to be aligned with market practice.
    - Demand management software that aims to reduce energy consumption and energy saving technologies. Santander has communicated to Sustainalytics that the energy saving technologies include LED light bulbs, energy-efficient windows, insulation, smart thermostats and computer power management systems. The Framework further defines eligibility for these energy saving technologies as being certified Energy Star, Energy Star Most Efficient or EPEAT (Gold or above) or other equivalent internationally or nationally recognized certifications. Sustainalytics considers investments in energy demand management and the above energy saving technologies as contributing to positive environmental benefits.
    - Data centres that comply with the European Code of Conduct for Data Centre Energy Efficiency or with power usage effectiveness (PUE) below 1.5. Sustainalytics notes that although the European Code of Conduct on Data Centre Energy Efficiency defines PUE of data centres as a KPI that should be reported on for energy use and environmental data, it does not set minimum PUE targets. Sustainalytics views PUE values to be important for assessing environmental performance of data centres and considers a PUE below 1.5 to be a credible target for the financing of data centres.
  - Under the Agriculture, Forestry and Livestock category, Santander may finance or refinance investments related to the following:
    - Sustainably produced crops certified by EU Organic<sup>11</sup> or an equivalent scheme from one of the following: USDA Organic,<sup>12</sup> Canada Organic,<sup>13</sup> Rainforest Alliance,<sup>14</sup> 4C Code of Conduct,<sup>15</sup> Naturland,<sup>16</sup> Nespresso AAA Sustainable Quality Program for organic farming,<sup>17</sup> C.A.F.E Practices Verification,<sup>18</sup> Algodão Brasileiro Responsável (Brazilian Responsible Cotton (ABR)),<sup>19</sup> ProTerra Standard for cropping agriculture,<sup>20</sup> Bonsucro,<sup>21</sup> UTZ Certification for cropping agriculture,<sup>22</sup> Better Cotton Initiative (BCI),<sup>23</sup> Roundtable for Sustainable Biomass (RSB),<sup>24</sup> Union for Ethical Bio Trade (UEBT),<sup>25</sup> Biosuisse for

<sup>11</sup> EU Organic: [https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo\\_en](https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en)

<sup>12</sup> USDA Organic: <https://www.usda.gov/topics/organic>

<sup>13</sup> Canada Organic: <https://www.canada-organic.ca/en/what-we-do/organic-101/labelling-organic-products>

<sup>14</sup> Rainforest Alliance: <https://www.rainforest-alliance.org/for-business/2020-certification-program/>

<sup>15</sup> 4C Code of Conduct: <https://www.4c-services.org/>

<sup>16</sup> Naturland: <https://www.naturland.de/en/>

<sup>17</sup> Nespresso AAA Sustainable Quality Program: <https://www.sustainability.nespresso.com/aaa-sustainable-quality-program>

<sup>18</sup> C.A.F.E. Practices Verification: <https://www.starbucksathome.com/ca/en-ca/story/cafe-practices>

<sup>19</sup> Algodão Brasileiro Responsável: <https://www.abrapa.com.br/EN-US/Paginas/sustentabilidade/algodao-brasileiro-responsavel.aspx>

<sup>20</sup> ProTerra Standard for cropping agriculture: <https://www.proterrafoundation.org/the-proterra-standard/>

<sup>21</sup> Bonsucro: <https://bonsucro.com/>

<sup>22</sup> UTZ Certification: <https://www.rainforest-alliance.org/utz/>

<sup>23</sup> Better Cotton Initiative: <https://bettercotton.org/>

<sup>24</sup> Roundtable for Sustainable Biomass: <https://rsb.org/>

<sup>25</sup> Union for Ethical Bio Trade: <https://uebt.org/about-uebt>

cropping agriculture,<sup>26</sup> Round Table for Responsible Soy (RTRS),<sup>27</sup> Organic SAGARPA Mexico for cropping agriculture,<sup>28</sup> Brasil Orgânico for cropping agriculture,<sup>29</sup> and ZERYA Certification<sup>30</sup> when coupled with the achievement of one of the other agricultural certification schemes listed above.

- The Nespresso AAA Sustainable Quality Program and UEBT certification mandate that no land use conversion from high-value ecosystems should be conducted from projects commencing from 2014 onwards. Sustainalytics considers it good practice for agricultural projects to not be carried out on land with high biodiversity or high carbon value at least within the last 10 to 15 years.
- Sustainalytics notes that the C.A.F.E. certification does not have an explicit ban on the use of synthetic pesticides, herbicides and fertilizers.
- Sustainalytics notes that in contrast to most credible certification schemes, ABR and BCI do not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. Sustainalytics also notes that ABR and BCI allow for the use of genetically modified organisms.
- Notwithstanding these drawbacks, Sustainalytics notes the positive ambition of the certification schemes listed above and considers this category to be aligned with market practice.
- Sustainable agriculture projects, including:
  - Recovery and restoration of degraded soil through: i) sown biodiverse pastures, excluding pastures for industrial livestock grazing; ii) biological nitrogen fixation; iii) projects to reduce the use of synthetic fertilizers through use of organic fertilizers; iv) projects to keep the use of pesticides to a minimum, such as through biological control; v) soil treatment for biogas production according to the criteria for bioenergy production as outlined under the Energy category; vi) dry agriculture; vii) crop rotation; and viii) sowing of diverse cover crops.
  - Low-carbon agricultural technology including vertical farming, hydroponics and aeroponics that are coupled with energy efficiency and/or renewable energy measures, crop sensors, and solar irrigation pumps.
  - Agricultural electric machinery that are dedicated to reducing GHG emissions and increase efficiency. Machinery for livestock production will be excluded.
  - Systems that enhance water efficiency including technologies such as high efficiency drip irrigation, dynamic irrigation and pivot irrigation systems, dams, pond and water storage management and humidity sensors.
  - No-till farming techniques.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Protected agriculture, such as i) greenhouses and shade houses that save energy and water; and ii) operations for growing crops within their natural cycle or sourcing low-carbon energy for heat and power. Sustainalytics considers this to be aligned with market practice.
- Sustainable forestry projects, including carbon sequestration plantation projects that are certified under Forest Stewardship Council (FSC)<sup>31</sup> or Programme for the Endorsement of Forest Certification (PEFC).<sup>32</sup> The Group may also finance smallholders with an independently reviewed sustainable forest management plan instead of FSC or PEFC certifications. Sustainalytics considers the expenditures to be aligned with market practice.

<sup>26</sup> Biosuisse: <https://www.bio-suisse.ch/en.html>

<sup>27</sup> Round Table for Responsible Soy: <https://responsiblesoy.org/?lang=en>

<sup>28</sup> Organic SAGARPA Mexico:

<https://certifications.controlunion.com/en/certification-programs/certification-programs/organic-sagarpa-mexico>

<sup>29</sup> Brasil Orgânico : <https://institutobrasilorganico.org/>

<sup>30</sup> ZERYA: <https://www.zerya.org/en/>

<sup>31</sup> FSC: <https://ca.fsc.org/ca-en/what-is-fsc/fsc-certified-forests>

<sup>32</sup> PEFC: <https://www.pefc.org/standards-implementation>



- Land conservation, restoration and soil remediation projects, including: i) restoration of native and high conservation value forests; ii) preservation of biodiverse land or valuable natural habitats; iii) preservation or restoration of biodiversity in urban areas including parks and green rooftops; iv) permanent conservation of land; and v) soil remediation. Santander confirms that projects where the contamination is resulted from borrowers will not be financed. Sustainalytics considers expenditures under this category to be aligned with market practice.
- Projects related to animal husbandry, which may include:
  - Integrated crop-livestock-forestry systems with sustainable forest management processes in place.
  - Sustainable feed production and processing that complies with the criteria set out under sustainably produced crop, sustainable agriculture and protected agriculture categories as above.
  - R&D projects aim to reduce emissions from livestock. The Group has confirmed that projects related to industrial-scale meat production and industrial-scale livestock management will be excluded under the Framework.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Sustainably produced seafood certified by the Aquaculture Stewardship Council (ASC),<sup>33</sup> Best Aquaculture Practice (2 stars or above)<sup>34</sup> or Marine Stewardship Council (MSC) which Sustainalytics considers to be aligned with market practice.<sup>35</sup>
- Under the Real Estate category, Santander may finance or refinance the following projects:
  - New or existing buildings in accordance with the following criteria:
    - Buildings that have achieved or will achieve one of the following minimum certification levels: i) LEED Gold,<sup>36</sup> ii) BREEAM Excellent or Very Good with a minimum score of 70% in the energy category,<sup>37</sup> or an equivalent international green building certifications as the following: EDGE,<sup>38</sup> PassivHaus,<sup>39</sup> BEAM Plus (Gold and above);<sup>40</sup> BCA Green Mark (Gold Plus or above);<sup>41</sup> DGNB Certification (Gold or above);<sup>42</sup> HQE (Excellent or above);<sup>43</sup> Home Quality Mark (4 stars and above);<sup>44</sup> Calificación Energética de Vivienda CEV (Rating A and B),<sup>45</sup> Energy Star for Buildings (85 or above),<sup>46</sup> Green Globes (three globes or above),<sup>47</sup> National Green Building Standard (Silver or above),<sup>48</sup> Earth Check (Gold or above) (global),<sup>49</sup> Eco-casa (Level I or above),<sup>50</sup> Minergie at Minergie-A and Standard Minergie, Lider A (C level or above),<sup>51</sup> Austin Energy (2-star level or above),<sup>52</sup> NABERS (4.5 stars or above or carbon neutral certification),<sup>53</sup> Aqua-HQE (Excellent).<sup>54</sup>

<sup>33</sup> ASC: <https://www.asc-aqua.org/what-we-do/our-standards/>

<sup>34</sup> Best Aquaculture Practice: <https://www.bapcertification.org/>

<sup>35</sup> MSC: <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>36</sup> LEED: <https://www.usgbc.org/leed>

<sup>37</sup> BREEAM: <https://bregroup.com/products/breem/>

<sup>38</sup> EDGE: at: <https://www.edgebuildings.com/certify/certification/>

<sup>39</sup> PassivHaus: <https://passivehouse.com/>

<sup>40</sup> BEAM Plus: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

<sup>41</sup> BCA Green Mark: <https://www1.bca.gov.sg/buildsg/sustainability/green-mark-certification-scheme>

<sup>42</sup> DGNB: <https://www.dgnb-system.de/en/index.php>

<sup>43</sup> HQE: <https://www.behqe.com/presentation-hqe/what-is-hqe>

<sup>44</sup> Home Quality Mark: <https://www.homequalitymark.com/discover/what-is-hqm/>

<sup>45</sup> Calificación Energética de Vivienda CEV: <https://www.calificacionenergetica.cl/>

<sup>46</sup> Energy Star: <https://www.energystar.gov/buildings>

<sup>47</sup> Green Globes: <http://www.greenglobes.com/about.asp>

<sup>48</sup> National Green Building Standard: <https://www.nahb.org/advocacy/industry-issues/sustainability-and-green-building/national-green-building-standard-certification>

<sup>49</sup> Earth Check: <https://earthcheck.org/what-we-do/certification/>

<sup>50</sup> Eco-casa: <https://www.gob.mx/shf/documentos/ecocasa-programa-de-cooperacion-financiera>

<sup>51</sup> Minergie: <https://www.minergie.com/>

<sup>52</sup> Austin Energy: <https://austinenergy.com/green-power/greenchoice/green-e-energy-certification>

<sup>53</sup> NABERS: <https://www.nabers.gov.au/ratings/our-ratings/nabers-energy>

<sup>54</sup> Aqua-HQE: <https://vanzolini.org.br/certificacao/sustentabilidade-certificacao/aqua-hqe/>

- Buildings in Spain, Italy and the UK with Energy Performance Certificate B or above.
  - Buildings that fall within the top 15% of the national or regional building stock.
  - Renovation of existing buildings that leads to at least 30% reduction in primary energy demand compared to pre-renovation levels;
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Projects to improve energy efficiency in buildings, such as: i) replacement of windows for thermal windows; ii) replacement of external doors; iii) replacement and installation of household appliances with an EU energy label rating of A or above, or equivalent country standard; iv) installation of heating systems powered by renewable energy such as solar floor heating, biomass heaters and electricity powered heating; and v) investment in energy-efficient light sources, such as LED lighting.
    - Santander has communicated to Sustainalytics that biomass heaters will be financed only if they align with the eligibility criteria defined under the Energy category for bioenergy production related activities.
    - Sustainalytics notes that Santander's reliance on EU energy labels to define eligibility for household appliances is consistent with the EU Taxonomy Climate Delegated Act. Sustainalytics further notes that Santander may finance the replacement and installation of appliances that have other equivalent certifications that are not specified in the Framework. Sustainalytics considers it good practice to mention all eligible certifications in the Framework and encourages Santander to report on specific certifications it intends to use under this category.
  - Investment in renewable energy infrastructure in buildings, including: i) solar PV modules; ii) solar panels for hot water; iii) electric heat pumps; iv) wind turbines; v) transpired solar collectors; and vi) thermal or electrical renewable energy storage units. These are in line with market practice.
  - Instruments and devices that enhance building's energy use, such as: i) zone and smart thermostats and sensors; ii) building automation and control systems, building energy management system, lighting control systems and energy management systems; iii) smart meters for heating, cooling and electricity; iv) façade and roofing with solar shading or control functions. Sustainalytics considers investments in these devices to be aligned with market practice and notes that Santander will exclude technologies designed or intended for carbon-intensive processes or processes that are powered by fossil fuels under this category.
- Under the Water and Waste Management category, Santander may finance or refinance the following projects.
    - Waste management and remediation activities in accordance with the following criteria:
      - The reuse and recycling of non-hazardous waste where the conversion rate of such waste into another raw material, such as energy, exceeds 50%. Santander has communicated to Sustainalytics that this activity excludes the use of plastics, rubber and tire-derived fuels for energy or fuel conversion. The recycling of electronic waste will be accompanied with an environmental and social risk mitigation assessment to prevent health hazards and leakages of toxic substances into the surrounding environment. The chemical recycling of plastic is excluded under the Framework; The Group has confirmed that in the case of incineration of waste for energy, the recyclables will be segregated prior to the incineration, in accordance with the bioenergy criteria under the Energy category. Sustainalytics recognizes that energy from waste could take potentially recyclable materials out of circulation and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better

residual waste management option than landfills in many cases. Sustainalytics recommends Santander to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.

- Installation and operation of infrastructure to capture and use landfill gas with at least 75% of gas capture efficiency. The Group has confirmed that landfill gas capture projects will be limited to permanently closed landfills that have new or supplementary technical facilities and equipment installed during or after the closure.
  - Construction and operation of dedicated facilities and processes for the treatment of segregated-in-source and separately collected bio-waste through composting (aerobic digestion) with the resulting production and utilization of compost.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Projects related to water supply and sewage treatment, including:
    - End-to-end water supply systems with a maximum average energy consumption of 0.5 kWh per cubic metre of authorized, billed or non-billed water supply.
    - Systems that reduce average energy consumption by at least 20% measured in kWh per cubic metre of authorized, billed or non-billed water supply.
    - Systems that reduce the gap between actual supply network leakage and a given low leakage by at least 20%.
    - Water treatment infrastructure and sewer network powered by renewable energy or with a net energy consumption equal to or lower than the following threshold: i) 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10,000 p.e.; ii) 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10,000 and 100,000 p.e.; iii) 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100,000 p.e.
    - Wastewater treatment plants with robust construction is in place to ensure no leakages between dirty and treated water systems.
    - Manure or slurry treatment facilities excluding projects related to industrial scale livestock production.
    - Desalination plants: i) powered by renewables; or ii) whose average carbon intensity of the electricity used for desalination is at or below 100g CO<sub>2</sub>e/kWh. The Group has confirmed that the desalination plants will have in place waste management plans for brine disposal.
    - Santander has confirmed that the Framework excludes treatment of wastewater from fossil fuel operations.
    - Sustainalytics considers expenditures under this category to be aligned with market practice.
  - The repair and refurbishment of used products to: i) put the product back to its original use; or ii) to enhance the sustainability credentials of the product and achieve a third-party sustainability certification. Santander has confirmed that products used for fossil fuel extraction or inherently rely on fossil fuels will not be financed under this sub-category. The repair and refurbishment of products to put back into their original use is aligned with market practice. Sustainalytics considers it a good practice to specify the sustainability credentials and certifications in the Framework and encourages Santander to report on the specific credentials and certifications to be achieved.
- Under the Manufacturing category, Santander may finance or refinance projects in accordance with the following criteria:
    - Manufacturing of technologies such as demand management technologies that aim to reduce GHG emissions, as well as technologies that enable substantial life cycle GHG emission savings compared to the best performing alternative technology, product or solution available on the market. Santander has communicated to Sustainalytics that the technologies financed are intended for use in industrial processes and exclude

- household consumer products and fossil fuel powered technologies. The Framework further confirms that the life cycle GHG emission savings achieved will be verified by an independent third party.
- Manufacturing of energy efficiency equipment for buildings, including LEDs, building management systems, green roof, heat metering, and energy efficient HVAC systems.
  - Manufacturing of rechargeable batteries, battery packs and accumulators connected to renewables including from secondary raw materials that result in substantial GHG emission reductions in transport, stationary and off-grid energy storage and other industrial applications.
  - Recycling of end-of-life batteries supported by a waste management process to mitigate associated risks.
  - Manufacturing of components and final equipment for electric heat pumps, electrolysers for green hydrogen and hydrogen fuel cells.
  - Sustainalytics considers investments under this category to have positive environmental impacts.
- Under the Climate Change Mitigation and Adaptation category, Santander may finance or refinance the following projects:
    - Infrastructure, equipment, products, technologies and software applications to test and monitor emissions and pollution, as well as projects to reduce GHG and air emissions and to minimize or reuse waste heat. Projects that rely directly on fossil fuels and produce energy from fossil fuels will be excluded from the Framework.
    - Projects to preserve or conserve terrestrial, aquatic and marine biodiversity, natural habitats and landscapes (including depollution and contribution to the reduction of burnt areas or prevention of wildfire). The Framework confirms that biodiversity value created from the projects and biodiversity related risk management throughout the project will be assessed by a third-party.
    - Climate observation and data systems or infrastructure designed to protect against flooding and other extreme weather events; reporting and monitoring systems; and climate change adaptation infrastructure with vulnerability assessment and adaptation plan in place.
    - Sustainalytics considers investments under this category to be aligned with market practice.
  - Social Use of Proceeds
    - Under the Education category, Santander may finance or refinance projects in accordance with the following criteria.
      - The financing of the following public and private educational centres and related services. The Framework confirms that private facilities will include only non-profits or centres that are otherwise accessible and affordable for low-income and vulnerable populations.
        - Educational facilities, such as nurseries, primary and secondary schools, university buildings, laboratories.
        - Public sports and cultural education centres and services related to instruction in the arts, dance, sports, drama and music. Santander has confirmed that it will not finance activities for cultural, entertainment or recreational purposes, such as live performances, museums, gambling, sports and leisure, and the operation of sports facilities, teams and clubs.
        - Centres for other educational activities, such as academic tutoring, preparation for professional exams, instruction in language and conversational skills, computer training, innovation and vocational training for the unemployed.
        - Sustainalytics considers investments in projects that ensure access for low-income and vulnerable populations in this category to be socially impactful.
      - Under this category, Santander further intends to provide education loans with preferential financial or payment terms<sup>55</sup> for low-income individuals, individuals who face historical marginalization or disadvantage based on ethnicity, religion or disability

<sup>55</sup> For example, below-market interest rates, flexible payment terms etc., as communicated by Santander to Sustainalytics.

- or underserved who do not have access to essential goods and services. Such loans include student loans and loans to finance re-skilling or upskilling for adults. Santander confirmed that it has responsible lending practices in place to understand a potential borrower's financial situation, help them understand the terms of loans and mitigate risk, and to avoid predatory lending.
- Based on a clearly defined target population, preferential lending terms and the presence of responsible lending practices, Sustainalytics views expenditures in this category to be socially impactful.
- Under the Healthcare category, Santander may finance or refinance projects in accordance with the following criteria:
    - Research, development and manufacturing of generic pharmaceutical products, including vaccines, medical equipment (e.g. radiation equipment, electro medical and electrotherapeutic equipment), and medical and dental instruments. Santander has communicated to Sustainalytics that it intends to finance pharmaceutical products and medical equipment that are widely accessible and affordable for the general public, including low-income and vulnerable groups. Sustainalytics notes that a broad range of possible pharmaceutical products and associated equipment and supplies may be financed under this category and encourages Santander to prioritize expenditures that could enhance the provision of essential medicines related to critical illnesses and conditions where gaps in access exist.
    - Public and private healthcare services and assets, such as public hospitals, centres for general healthcare and specialized medicine, physiotherapy, diagnostics, family planning and speech therapy, laboratories and field hospitals. The Framework contemplates expenditures to private facilities only in the case they are non-profits or centres that are otherwise accessible and affordable for low-income and vulnerable populations.
    - Specialized residential care facilities, such as centres for nursing, learning disabilities, mental health and substance abuse treatment, and those catering to the elderly, people with disabilities, children, the homeless, orphans and other vulnerable groups. Further, Santander intends to finance non-residential social work facilities, such as children's day care centres, centres for people with disabilities and the elderly and those offering counselling, helping victims of natural disasters. Based on the clearly defined target populations and the confirmation that investments aimed at the general public will ensure affordability and accessibility for low-income and vulnerable populations, Sustainalytics considers the financing under this category to be socially impactful.
  - Under the Transport category, Santander may finance or refinance the following projects:
    - Roads and related infrastructure, such as bridges, viaducts and tunnels that are expected to improve transportation links to underdeveloped rural areas<sup>56</sup> that lack this connectivity or where transport connectivity is clearly inadequate and hinders underserved<sup>57</sup> rural communities. This excludes investments towards the upgrade or upkeep of highways and major roads, including in rural areas.
    - Public transportation infrastructure such as over- and underground railways aimed at increasing connectivity in underserved regions, such as cities without underground railways, rural populations and remote villages.
    - Transport infrastructure such as projects relating to accessibility improvements to public transit networks to help people with disabilities.
    - Sustainalytics considers financing under this category to be socially impactful.
  - Under the Energy category, Santander may finance or refinance renewable energy production, transmission and distribution lines, dedicated buildings and structures in rural areas and areas with no access to electricity or where access to electricity is substantially inadequate.

<sup>56</sup> Santander defines underdeveloped areas or regions as "remote (as defined by relevant national or international authorities) and/or sparsely populated (as defined by relevant national or international authorities) areas or regions that might suffer exclusion from lack of services and access due to their remoteness or political exclusion or areas or regions that are in the relevant country's: i) bottom 40<sup>th</sup> percentile in terms of GDP per capita; and at the same time ii) in the top 40<sup>th</sup> percentile in terms of unemployment rate.

<sup>57</sup> Santander defines underserved populations as those who do not have proper access to essential goods and services because they lack basic infrastructure (e.g. rural and isolated populations), are unbanked (e.g. from households without a current or savings account and who may rely on AFS), or who otherwise have limited access to mainstream financial services.

- The Framework excludes transmission and distribution infrastructure dedicated to connecting fossil or nuclear power to the grid.
    - Sustainalytics considers financing under this category to be socially impactful.
  - Under the Water and Waste Management category, Santander may finance or refinance projects in accordance with the following criteria:
    - Water collection, treatment and distribution infrastructure, including dedicated buildings and structures in cities with poor water quality or no treatment facilities. The Framework excludes investments in desalination plants powered by dedicated onsite fossil fuel generation plants.
    - Sewage, wastewater treatment and collection infrastructure as well as integral supporting buildings in cities without sewage or wastewater systems. Wastewater transport vehicles, if financed, will adhere to local emission regulations. The Framework excludes the treatment of wastewater from fossil fuel sources.
    - The collection of disposed hazardous and non-hazardous waste and their sorting, treatment and recycling as well as waste recovery and dismantling of wrecks, in cities without existing infrastructure for such purposes. Santander has confirmed to Sustainalytics that dismantling of wrecks is for the purposes of waste recovery, treatment, reuse or recycling. Further, waste collection vehicles, if financed, will adhere to local emission regulations.
    - Based on the specific target populations and the presence of exclusions and environmental safeguards, Sustainalytics views the activities in this category to be socially impactful.
  - Under the Real Estate category, Santander may finance or refinance the following activities:
    - Providing mortgages with preferential financial or payment terms<sup>58</sup> to homebuyers to ensure that housing remains affordable over time. Eligible mortgages will target: i) people without adequate housing, including the homeless and people in slums and informal settlements; ii) those whose income is less than 80% of the average income for the area, region or country; or iii) those whose income is below the national median. Santander has communicated to Sustainalytics that it will rely on official government sources for average and median income statistics. Santander has responsible lending practices in place to understand a borrower's financial situation, to help them understand the terms of loans and mitigate risk, and avoid predatory lending. Based on the clear definition of target populations, the presence of preferential lending rates and responsible lending practices, Sustainalytics considers this to be socially impactful.
    - Providing loans for the construction of affordable housing and associated infrastructure targeting rent and home ownership for those who meet the regional government's socioeconomic requirements for social housing programmes. Sustainalytics is of the opinion that affordable housing programmes are likely to generate positive social impacts only if they ensure sufficient targeting of low-income or underserved populations, and ongoing rent or mortgage affordability, and therefore encourages the issuer to prioritize investments in programmes that meet the above criteria, and to report on programmes financed and their impacts.
  - Under the Finance and Insurance category, Santander may finance or refinance projects according to the following criteria:
    - Financing to entities (micro, small and medium-sized enterprises (MSMEs)) impacted by natural, health or human-made disasters and severe socioeconomic situations that are materially significant to the local economy in terms of the sector that they support or the jobs and services they provide. Santander has communicated to Sustainalytics that it will not lend to MSMEs involved in child labour or with poor working conditions. Sustainalytics views lending to MSMEs that face significant adversities as being socially impactful.
    - Financing with preferential payment terms<sup>59</sup> to individuals and entities (to the extent that such individuals are organized into entities such as cooperatives, as communicated by Santander to Sustainalytics) impacted by natural and man-made disasters and severe socioeconomic situations. Santander has responsible lending

<sup>58</sup> For example, below-market interest rates, flexible payment terms etc., as communicated by Santander to Sustainalytics.

<sup>59</sup> For example, below-market interest rates, flexible payment terms etc., as communicated by Santander to Sustainalytics.

- practices in place to understand a borrower's financial situation, to help them understand the terms of loans and mitigate risk, and to avoid predatory lending. Based on the presence of preferential payment terms and responsible investment policies, Sustainalytics views financing in this category to be socially impactful.
- Under the IT and Communications category, Santander may finance or refinance telecommunications infrastructure, distribution lines and associated integral buildings and structures, including fibre optic networks, 5G networks, high-capacity network deployment, and landlines in areas that lack access to the above infrastructure and services. Sustainalytics considers financing under this category to be socially impactful.
  - Under the Non-Profit Organizations category, Santander may finance or refinance loans provided to non-profit organizations and registered charities whose work addresses the themes covered by the Framework.
    - Organizations financed in this category will have more than 90% of their activities focused on one or more of the eligible activities in the Framework.
    - Organizations financed in this category must also meet Santander's Group Policy on Contributions for Social Purposes, which provides general criteria and guidelines for the Group's contributions towards communal initiatives aimed at sustainable social and economic growth.<sup>60</sup>
    - Sustainalytics considers investments under this category to have positive social impacts.
  - Sustainalytics notes that Santander has in place Framework level exclusions for the following activities: manufacture of particular weapons and ammunitions, including anti-personnel mines, cluster munitions and nuclear weapons; energy projects relying on controversial power sources, such as coal or nuclear power, as well as oil sands projects in non-designated countries; the mining and extraction of controversial materials, such as asbestos, conflict minerals and coal; and investments in soft commodities that are deemed environmentally harmful, such as non-RSPO certified palm oil processors. For a full list of excluded operations, see Santander Group's Sectoral Policies.<sup>61</sup>
  - Project Evaluation and Selection:
    - Santander has established a Global Sustainability Funding Steering Group to oversee the implementation and monitoring of the processes that govern the Framework, including the project evaluation and selection process. The group is comprised of representatives from the following departments of the Group: Financial Management (IR and Funding), Responsible Banking, E&S Risk, Legal, Compliance, Corporate and Investment Banking, Commercial Banking, Santander Consumer Finance.
    - Santander has also established Local Sustainability Funding Steering Groups to govern each local entity's activities under this Framework. Each Local Steering group consists of local senior directors and managers from relevant business lines, who will be responsible for local project evaluation and selection based on the eligibility criteria outlined in the Framework and will have responsibility for monitoring eligible assets to ensure compliance with the Framework criteria.
    - Santander has set up policies such as the Defense Policy and Environmental and Social Risk Sector policies to assess risks and the environmental impact of borrower's activities. These risk management policies are applicable to all lending decisions made under the Framework. For additional details, see Section 2.
    - Based on the establishment of the Global and Local Sustainability Funding Steering Groups and the presence of environmental and social risk management processes, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - Each Local Steering group will track the use of net proceeds through an Eligible Assets Register, which will be a subset of the total eligible assets identified on the issuing entity's balance sheet.
    - Santander intends to manage the net proceeds from the issuances through a portfolio approach, ensuring continuous allocation until bond maturity. In case of divestment, early repayment or other situations when an asset is no longer eligible, the Local Sustainability Funding Steering Group is responsible for reallocation to eligible projects within a 12-month period from when the change in status occurs.

<sup>60</sup> Santander, "Contributions for Social Purposes Policy," at: <https://www.santander.com/content/dam/santander-com/es/contenido-paginas/nuestro-compromiso/politicas/doc-Policy%20on%20contributions%20for%20social%20purpose-en.pdf>

<sup>61</sup> Santander, "Sectoral Policies", at: <https://www.santander.com/en/our-approach/policies>

- Santander intends to fully allocate the proceeds within three years of each respective issuance. Pending allocation, proceeds will be temporarily held in accordance with the issuing entity's normal liquidity management policy.
- Instruments issued under the Framework may include multi-tranche loan facilities and Santander will ensure that the proceeds from all tranches will be directed towards eligible projects and investments. This is aligned with market practice.
- Additionally, for deposits issued under the Framework: i) an amount cap will apply to ensure that the deposits will not exceed the amount of loans at all points of time; ii) the deposit programmes have a fixed term and matured loans will be replenished; iii) the term of the deposits will not exceed the proceeds' allocation timeframe; and iv) Santander ensures no double allocation of proceeds from deposits and other instruments issued under the Framework.
- Based on the use of internal tracking systems and processes and the disclosure on the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice
- Reporting:
  - All Santander's issuing entities intend to report on the allocation of proceeds and corresponding environmental impact on an annual basis through an annual report until full allocation.
  - Allocation reporting will include aggregated information on the eligible assets, such as asset category, location, amount of proceeds allocated to each eligible asset and operational status, balance of unallocated proceeds and share of refinancing versus financing.
  - Impact reporting may include impact metrics such as annual GHG emissions reduced or avoided, annual renewable energy generation and capacity, or number of beneficiaries from social projects. For more information, refer to Appendix 1.
  - Additionally, Santander has confirmed to Sustainalytics that should it originate revolving credit facilities (RCFs) under the Framework, the Group will keep updated records of the allocation of the RCFs' proceeds until maturity.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Santander Group Green, Social and Sustainability Funding Global Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of Santander

### Contribution to Santander Group's sustainability strategy

Sustainalytics is of the opinion that Santander demonstrates a commitment to sustainability through its Group-level sustainability strategy and roadmap to net zero by 2050.

Santander is a member of and participates in various international initiatives related to environmental and social sustainability. The Group is a founding member of the Net-Zero Banking Alliance (NZBA),<sup>62</sup> which aims to align the participating banks' lending and investment portfolios with a net zero emissions target by 2050. In line with this target, Santander has committed to achieving net zero across the Group by 2050. Santander is also one of the founding signatories to the United Nations Principles for Responsible Banking and has been a member of the UN Collective Commitment to Climate Action (CCCA) since 2019. Under the UN CCCA, Santander is committed to accelerating the financial sector's transition to a low-carbon economy through engaging customers to accelerate the transition to a low-carbon economy and aligning its portfolio to the target to keep global temperature increase well below 2°C from pre-industrial levels while aiming for 1.5°C.<sup>63</sup> In order to achieve its targets, Santander has raised and mobilized EUR 41.7 billion in green finance since 2019 and aims to further raise an additional EUR 120 billion by 2025 and EUR 220 billion by 2030. Additionally, the

<sup>62</sup> Santander, "Santander becomes a founding member of the Net Zero Banking Alliance", Press Release, (2021) at: <https://www.santander.com/en/press-room/press-releases/2021/04/santander-becomes-a-founding-member-of-the-net-zero-banking-alliance>

<sup>63</sup> UNEP FI, "Collective Commitment to Climate Action", at: <https://www.unepfi.org/wordpress/wp-content/uploads/2019/12/PRB-Collective-Commitment-to-Climate-Action.pdf>



Group committed in 2022 to increasing socially responsible investments from EUR 30.1 billion to EUR 100 billion by 2025.<sup>64</sup>

To further align with the commitments in the Paris Agreement and the roadmap to net zero by 2050, Santander has set targets to reduce: i) the emissions intensity of its power generation portfolio from 0.17 tCO<sub>2</sub>e/MWh in 2020 to 0.11 tCO<sub>2</sub>e/MWh in 2030, ii) the absolute emissions of its energy portfolio from 23.84 mtCO<sub>2</sub>e in 2019 to 16.98 mtCO<sub>2</sub>e in 2030; iii) the emissions intensity of its aviation portfolio from 92.47 gCO<sub>2</sub>e/revenue passenger-kilometres in 2019 to 61.71 gCO<sub>2</sub>e/RPK in 2030; and iv) the emissions intensity of its steel portfolio from 1.58 tCO<sub>2</sub>e/tonne crude steel in 2019 to 1.07 tCO<sub>2</sub>e/tCS in 2030. The Group also set a target to eliminate its portfolio exposure to thermal coal producers by 2030,<sup>65</sup> and to stop offering its financial services to energy companies that generate over 10% of revenue from coal.<sup>66</sup>

In addition to these environmental goals, Santander also aims to further its responsible banking agenda through other initiatives, such as empowering people financially and providing scholarships, internships and entrepreneurship programmes. The Group has committed to increase access to financial and banking services to 10 million people between 2019 and 2025, having already reached six million people as of 2021.<sup>67</sup>

Sustainalytics is of the opinion that the Santander Group Green, Social & Sustainability Funding Global Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Group's action on its key environmental and social priorities.

### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and biodiversity issues associated with large-scale infrastructure development; emissions, effluents and waste generated in construction; occupational health and safety; predatory lending or over-indebtedness for financially vulnerable individuals, and community relations and stakeholder participation. Sustainalytics notes that Santander plays a limited role in the development of projects and assets being financed, but remains exposed to risks associated with projects it may finance by offering lending and financial services.

Sustainalytics is of the opinion that Santander is able to manage and mitigate potential risks through implementation of the following:

- Santander has been a signatory to the UN Global Compact Principles since 2003,<sup>68</sup> which indicates its commitment to environmental and social responsibility and respect for human rights. Santander is also a signatory to the Equator Principles, which provide minimum standards for environmental and social due diligence. In addition, Santander has been a member of the UN Principles for Responsible Banking<sup>69</sup> since 1992, indicating the Group's commitment to integrate ESG criteria into its lending and investment decisions.
- Regarding land use and biodiversity issues, and emissions, effluents and waste generated in construction, the Group has a dedicated Climate Change and Environmental Management Policy<sup>70</sup> that outlines Santander's action framework and initiatives to reducing the Group's environmental impact and effects on climate change. Moreover, the policy outlines Santander's approach to environmental risk management, which includes analyzing social and environmental risks in credit transactions, following sectoral policies for risk management in certain sectors and international standards, such as the Equator Principles and the International Finance Corporation's guidelines. Santander has dedicated business units to identify social and environmental risks of sectors

<sup>64</sup> Santander, "Climate Finance Report", (2022), at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2021/ias-2021-climate-finance-2021-en.pdf>

<sup>65</sup> Ibid

<sup>66</sup> Santander, "Climate Finance Report", (2022), at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2021/ias-2021-climate-finance-2021-en.pdf>

<sup>67</sup> Santander, "Banco Santander and the SDGs", (2021), at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-banco-santander-and-the-sdgs-en.pdf>

<sup>68</sup> UNGC, "Grupo Santander", at: <https://www.unglobalcompact.org/what-is-gc/participants/4665-Grupo-Santander>

<sup>69</sup> Santander, "Santander joins United Nations' drive for responsible banking", Press Release, (2018), at: <https://www.santander.com/content/dam/santander-com/en/documentos/historico-notas-de-prensa/2018/05/NP-2018-05-29-Santander%20joins%20United%20Nations%20drive%20for%20responsible%20banking%20-en.pdf>

<sup>70</sup> Santander, "Climate Change and Environmental Policy", at: <https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-climate%20change%20and%20environmental%20management%20policy-en.pdf>

financed and ensure that projects financed by the Group align with the minimum requirements set out in the Group's policy.

- The environmental and social risk governance and management by Santander focuses on two key areas: i) project analysis under the Equator Principles and ii) annual customer analysis.<sup>71</sup> To ensure that the financed projects are in line with the Equator Principles, Santander's credit admission process incorporates a preliminary classification under the Equator Principles' categorization system, detailed analysis by relevant business units for medium-risk projects, and in-depth analysis by the environmental and social risk management teams for high-risk projects. In addition, Santander undertakes an analysis of its customers during the onboarding and annual renewal of credit limits which incorporates environmental and social considerations.
- Regarding occupational health and safety, Santander conducts regular audits, on-site health and safety inspections, supervision and robust site maintenance programmes at all sites.<sup>72</sup> Additionally, having presence in the European Union, Santander complies with the EU Directive on the Introduction of Measures to Encourage Improvements in the Safety and Health of Workers at Work, which mandates employers to take all necessary measures to prevent occupational health and safety risks and provide essential training, information, tools and means to ensure the health and safety of workers.
- Santander's Consumer Policy and Principles outline the key principles and ethical standards towards Santander's customers, including: consideration of special customers' circumstances, prevention of over-indebtedness, responsible pricing, transparent communication and fair treatment. In addition, Santander has established global vulnerable customers and over-indebtedness prevention guidelines to ensure that vulnerable groups are protected. For example, when validating products or services, Santander must specify if it can be offered to customers from vulnerable groups.<sup>73</sup>
- Specifically for projects that have been identified to have an impact on human rights, Santander requires mitigation measures to be implemented as a condition for accessing the financing, and further reviews are carried out to ensure there is no threat to or negative impacts on human rights.<sup>74</sup>
- Santander addresses risks related to community relations by ensuring appropriate coordination and support of the project development process through active consultations with authorities, trade bodies and other organizations, and the pursuit of positive project impacts in the communities in which it operates.<sup>75</sup>
- Given the Group's exposure to Brazil and the Amazon, Santander has a dedicated process in place to measure and prevent negative environmental and social impacts on the Amazon. The Group's local subsidiary, Santander Brasil, undertakes a due diligence process that includes checking government-issued embargoes due to illegal deforestation for all new loans requested by farmers and ranchers. Furthermore, the requests are also mapped and screened to ensure there is no negative impact to indigenous peoples' territories.<sup>76</sup>
- Sustainalytics notes that Santander is involved in a controversy involving a hydropower project. Santander was one of the financiers of the Ituango dam project in Colombia. The dam was flooded in April 2018 by its operating company, Empresas Públicas de Medellín, after one of the project's three bypass tunnels collapsed. The flood affected approximately 120,000 people living in surrounding cities, who were forcibly evacuated. While Santander has adequate environmental and social financing policies, its connection with a controversial hydropower project suggests inadequate enforcement and implementation of said policies. Nonetheless, Sustainalytics notes that all new hydropower projects over 25 MW added capacity funded under the Framework require a full environmental and social impact analysis to prevent harmful environmental and social externalities.
- Additionally, Sustainalytics' research has identified that Santander is exposed to legal risks stemming from ongoing court proceedings related to its IRPH index-linked contracts. Santander is among several Spanish Banks facing litigation from borrowers related to the sale of their IRPH-linked

<sup>71</sup> Santander, "Annual Report 2022", at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-financiero-anual/2022/ifa-2022-consolidated-annual-financial-report-en.pdf>

<sup>72</sup> Santander, "Health, Safety and Wellbeing Policy", (2022), at: <https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-politica-global-de-salud-seguridad-y-bienestar-2022-en.pdf>

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> Santander, "Annual Report 2022", at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-financiero-anual/2022/ifa-2022-consolidated-annual-financial-report-en.pdf#page=305&zoom=100,0,119>

<sup>76</sup> Ibid.

loans between 2007 and 2008.<sup>77</sup> As of FY 2022, Santander's exposure to IRPH mortgage loans was EUR 752 million, equivalent to 4% of its total loan portfolio. Sustainalytics notes the Group has since developed the Principles for Managing Conduct Risk with Customers to address issues related to mitigating customer compliance and conduct risk,<sup>78</sup> as well as the 2022 Code of Conduct which mandates more stringent ethical standards in all areas of operations.<sup>79</sup> Given these measures, and the presence of responsible banking policies updated in 2023, Sustainalytics notes that the Group has in place internal controls to prevent unethical sales practices.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Santander has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All 17 use of proceeds categories are aligned with those recognized by GBP, SBP, GLP and SLP. Sustainalytics has focused on three below where the impact is specifically relevant.

#### Contribution of renewable energy and energy efficiency to a low-carbon economy

The energy sector accounts for 75% of global GHG emissions, according to the International Energy Agency (IEA).<sup>80</sup> The IEA estimates that the world needs to achieve net-zero CO<sub>2</sub> emissions by 2050 in order to meet the Paris Agreement goal of limiting global temperature increases to 1.5°C. In the European Union, the European Green Deal set a 2050 target for climate neutrality, requiring a reduction of 55% in emissions from a 1990 baseline by 2030. In this context, increasing the share of renewable energy generation can have a significant impact on achieving decarbonization by 2050.<sup>81</sup> Globally, the share of electricity from renewable energy is set to increase from 28% in 2021 to 43% in 2030, with wind and solar PV accounting for approximately 90% of this growth.<sup>82</sup> In addition to the emissions reduction provided by the displacement of expanding renewable energy production, global energy consumption and related emissions can be reduced by a third by doubling the current rate of annual energy efficiency improvement from 2% to 4% by 2030.<sup>83</sup>

An estimated USD 125 trillion in investments are needed to meet the 2050 decarbonization goals, with USD 32 trillion required by 2030.<sup>84</sup> The electricity sector alone is expected to require USD 16 trillion for its decarbonization in the next decade.<sup>85</sup>

In this context, Sustainalytics is of the opinion that Santander's investments in renewable energy and energy efficiency projects are expected to contribute to the decarbonization in the energy sector in the countries where Santander operates.

#### Role of clean transportation in reducing GHG emissions

In 2021, global CO<sub>2</sub> emissions from transport increased by 8% to approximately 7.7 Gt CO<sub>2</sub>, up from 7.1 Gt CO<sub>2</sub> in 2020. From 1990 to 2021, transport emissions increased at a nearly 1.7% annual average rate, more than any other end-use industry.<sup>86</sup> According to the IEA, to achieve net zero emissions by 2050, CO<sub>2</sub> emissions from the transport sector must reduce by 3% each year from now until 2030,<sup>87</sup> and to stay within a 1.5°C scenario, they must reduce by 70% by 2050 from 2015.<sup>88</sup> This depends on a large-scale shift towards electric mobility and higher uptake of low-carbon fuels, both of which require further investments in to improve supply

<sup>77</sup> Aguado, J. (2020), "Spanish banks rally after EU court sends mortgage dispute back home", Reuters, at: <https://www.reuters.com/article/uk-spain-mortgages-court-idUKKBN20Q1A8>.

<sup>78</sup> Santander, "Principles for managing conduct risk with customers", at: <https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-principles-for-managing-conduct-risk-with-customers-en.pdf>

<sup>79</sup> Santander, "General Code of Conduct", 2022, at: <https://www.santander.com/content/dam/santander-com/en/contenido-paginas/accionistas-e-inversores/gobierno-corporativo/c%C3%B3digo-de-conducta/do-General%20code%20of%20conduct.pdf>

<sup>80</sup> International Energy Agency, "Net Zero by 2050 - A Roadmap for the Global Energy Sector", 2021, at: [https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector\\_CORR.pdf](https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf)

<sup>81</sup> Ibid

<sup>82</sup> International Energy Agency, "Tracking Transport 2022", at: <https://iea.blob.core.windows.net/assets/830fe099-5530-48f2-a7c1-11f35d510983/WorldEnergyOutlook2022.pdf>

<sup>83</sup> IEA, "Decade for Action Highlights," (2023), at: <https://www.iea.org/reports/energy-efficiency-the-decade-for-action/decade-for-action-highlights>

<sup>84</sup> Glasgow Financing Alliance for Net Zero, "Financing Roadmaps", at: <https://www.gfanzero.com/netzerofinancing>

<sup>85</sup> Ibid.

<sup>86</sup> International Energy Agency, "Transport", at: <https://www.iea.org/reports/transport>

<sup>87</sup> Ibid.

<sup>88</sup> International Transport Forum, "Executive Summary ITF Transport Outlook 2021" at: <https://www.itf-oecd.org/sites/default/files/transport-outlook-executive-summary-2021-english.pdf>

infrastructure and incentivize consumer adoption. For example, the market share of zero-emission light-duty vehicles, needs to increase from 5% in 2020 to 64% by 2030 and 100% by 2050 for the transport sector to meet its decarbonization targets.<sup>89</sup> Estimates suggest that USD 5.4 trillion will be needed in the transportation sector by 2030 to facilitate its decarbonization trajectory.<sup>90</sup>

Given this context, Sustainalytics is of the opinion that Santander's investments in clean transportation projects will contribute to the sector's overall emissions reduction.

### Importance of financing SMEs to support employment generation and reduce inequalities

SMEs make up 90% of businesses and account for more than 50% of employment worldwide.<sup>91</sup> By 2030, an estimated 600 million jobs will be needed to absorb the growing global workforce, making SME development a high priority for governments around the world.<sup>92</sup> However, lack of access to finance significantly constrains SME businesses, and is considered the second most cited obstacle to SMEs in emerging markets and developing countries.<sup>93</sup> An estimated 65 million enterprises or 40% of formal micro, small and medium businesses in developing countries, have an unmet financing need of USD 5.2 trillion every year.<sup>94</sup> This need was potentially exacerbated by the COVID-19 pandemic, with studies suggesting that SMEs were 8% more likely to have temporarily shut down due to the pandemic than larger firms.<sup>95</sup> Therefore, supporting SMEs to keep up production and employment will be crucial to the recovery of the world economy.<sup>96</sup>

In this context, Sustainalytics considers Santander's investment in SMEs and associated employment generation projects to contribute to reducing the financing barriers to SMEs and further support employment generation in the markets where Santander operates.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Santander Group Green, Social & Sustainability Funding Global Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy efficient products, technologies and software applications	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all

<sup>89</sup> International Energy Agency, "Net Zero by 2050 A Roadmap for the Global Energy Sector", 2021, at :

[https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050ARoadmapfortheGlobalEnergySector\\_CORR.pdf](https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050ARoadmapfortheGlobalEnergySector_CORR.pdf)

<sup>90</sup> Glasgow Financing Alliance for Net Zero, "Financing Roadmaps", at: <https://www.gfanzero.com/netzerofinancing>

<sup>91</sup> World Bank, "Small and Medium Enterprises(SMEs) Finance", at: <https://www.worldbank.org/en/topic/smefinance>

<sup>92</sup> Ibid.

<sup>93</sup> Ibid.

<sup>94</sup> International Finance Corporation, "MSME Finance Gap", at: <https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQA>

<sup>95</sup> World Bank, "Small and Medium Enterprises in the Pandemic – Impact, Responses and the Role of Development Finance", at: <https://documents1.worldbank.org/curated/en/729451600968236270/pdf/Small-and-Medium-Enterprises-in-the-Pandemic-Impact-Responses-and-the-Role-of-Development-Finance.pdf>

<sup>96</sup> Ibid

		countries taking action in accordance with their respective capabilities
Agriculture, forestry and livestock	12. Responsible Production and Consumption	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
		15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.
Real estate	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Water and waste management	12. Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Manufacturing	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Other activities related to climate change mitigation/adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Education	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
Healthcare	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
Transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road

		safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Water and waste management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Real estate	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Finance and insurance	9. Industry, Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
IT and communications	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

## Conclusion

Santander Group has developed the Santander Group Green, Social & Sustainability Funding Framework under which Santander and its subsidiaries intend to issue green, social and sustainability bonds; securitized bonds; loans; commercial papers; structured and promissory notes; and deposits. Santander intends to use the proceeds to finance projects expected to support the transition to a low-carbon economy and socioeconomic development. Sustainalytics considers that the projects funded with proceeds from instruments issued under the Framework are expected to provide positive environmental and social impact.

The Santander Group Green, Social & Sustainability Funding Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Santander to report on their allocation and impact. Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Group and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 9, 11, 12, 13 and 15. Additionally, Sustainalytics is of the opinion that Santander has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Santander Group is well positioned to issue green, social and sustainability financial instruments, and that the Santander Group Green, Social & Sustainability Funding Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2023), and Social Loan Principles (2023).

## Appendix

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

<b>Issuer name:</b>	Santander Group
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	Santander Group Green, Social & Sustainability Funding Global Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	June 20, 2023
<b>Publication date of review publication:</b>	
<b>Original publication date:</b>	February 9, 2022

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

#### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 9, 11, 12, 13 and 15.

### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use   |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Energy; Transportation; Energy Efficient Products, Technologies and Software Applications; Agriculture, Forestry and Livestock; Real Estate; Water and Waste Management; Manufacturing; and Other activities related to Climate Change Mitigation/Adaptation |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input type="checkbox"/> Access to essential services   |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance)   |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Education; Healthcare; Transport; Energy; Water and Waste Management; Real Estate; Finance and Insurance; IT and Communications; and Non-profit Organizations |

If applicable please specify the social taxonomy, if other than SBP:



## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Santander Group has established a Global Sustainability Funding Steering group and Local Sustainability Funding Steering groups which are responsible for the project evaluation and selection process in accordance with the eligibility criteria under the Framework. Santander Group has set up policies to assess environmental and social risks associated with the borrower's activities, which are applicable to Santander Group's all lending decisions. Sustainalytics considers the project selection process to be in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Santander Group's Local Sustainability Funding Steering groups will manage and track the allocation of proceeds on a portfolio basis through an Eligible Assets Register. The deposits issued under the Santander Group Green, Social & Sustainability Funding Global Framework will have a fixed term and will be capped and replenished. Santander Group intends to allocate all the proceeds within three years from issuance. Pending full allocation, proceeds will be temporarily held in accordance with Santander Group's normal liquidity management policy. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- |   |  |
|---|--|
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                               |

#### 4. REPORTING

Overall comment on section (if applicable):

Santander Group commits to report on the allocation of proceeds and corresponding impact through an annual report until full allocation. Allocation reporting will include the amount of proceeds allocated to each eligible asset including eligible asset category, the balance of unallocated proceeds and the share of refinancing versus financing. Sustainalytics views Santander Group's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

#### Information reported:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts   | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify):<br>Aggregated information on the eligible assets such as the asset category, location; the amount of proceeds allocated to each eligible asset and the operational status the balance of unallocated proceeds and the share of refinancing versus financing |   |

#### Frequency:

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

#### Impact reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

#### Information reported (expected or ex-post):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings          |
| <input checked="" type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Number of beneficiaries |

Target populations Other ESG indicators (please specify):

Green Categories	Indicative key impact indicators
Renewable energy	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/ avoided in tonnes of CO<sub>2</sub> equivalent</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>• Length (km) of connecting transmission infrastructure supported</li> <li>• Energy storage capacity created</li> </ul> <p>Note: Where CO<sub>2</sub> emissions figures are reported, the GHG accounting methodology and assumptions will be referenced</p>
Clean Transportation	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> <li>• Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre), and savings after the project</li> <li>• Length (km) of connecting infrastructure supported</li> <li>• Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> </ul> <p>Note: Where CO<sub>2</sub> emissions figures are reported, the GHG accounting methodology and assumptions will be referenced</p>
Energy efficient Products, Technologies , and Software Applications	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul> <p>Note: Where CO<sub>2</sub> emissions figures are reported, the GHG accounting methodology and assumptions will be referenced</p>
Agriculture, forestry and livestock	<ul style="list-style-type: none"> <li>• Area cultivated by precision agriculture in km<sup>2</sup></li> <li>• Increase in agricultural land using more drought resistant crops in hectares</li> <li>• Area reforested / protected by precision agriculture in km<sup>2</sup></li> <li>• Rehabilitated areas in km<sup>2</sup></li> <li>• Reduction in changes in the nutrient and/or pH level for agricultural soils</li> <li>• Reduction in contaminant levels in mg contaminant kg<sup>-1</sup> soil</li> <li>• Sustainable aquaculture</li> </ul>
Real Estate	<ul style="list-style-type: none"> <li>• Number, size, use of green building certification of Green Buildings</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equiv. vs local baseline/baseline certification level</li> <li>• Amount of renewable energy installed in building</li> <li>• Energy use reduced/avoided vs local baseline/building code in %</li> </ul>

	Note: Where CO <sub>2</sub> emissions figures are reported, the GHG accounting methodology and assumptions will be referenced
Water and waste management	<ul style="list-style-type: none"> <li>• Annual water savings in absolute (gross) water use before and after the project in m<sup>3</sup> or reduction in water use in %</li> <li>• Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup>, population equivalent, or in %</li> <li>• Annual absolute (gross) amount of raw/untreated sewage sludge that is treated and disposed of in tonnes of dry solids, or in %</li> <li>• Annual absolute (gross) amount of sludge that is reused in tonnes of dry solids, or in %</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>• The increase in number of products and/or the share of production awarded an internationally recognised eco-label, or energy, eco-efficiency or other relevant environmental certification</li> </ul>
Other activities related to climate change mitigation/adaptation	<ul style="list-style-type: none"> <li>• Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and droughts</li> <li>• Reduction in emergency and unplanned repair and replacement of infrastructure damaged by natural disasters</li> <li>• Reduction in land loss from coastal / flooding erosion</li> <li>• Number of indigenous species, flora or fauna restored through the project</li> <li>• Number of invading species and/or area occupied by invading species before and after the project</li> <li>• Changes in the CO<sub>2</sub>, nutrient and/or pH levels for coastal vegetation, and coral reefs</li> <li>• Annual volume of waste that is prevented, minimised, reused or recycled before and after the project in tonnes of dry solids, or in % reduction</li> <li>• Reduction of NO<sub>x</sub> or SO<sub>x</sub> or particulates (PM2.5 and PM10) or VOC before and after the project</li> <li>• GHG pollution monitoring systems supported and range (area / type) of analysis provided</li> </ul>
<b>Social Categories</b>	<b>Indicative key impact indicators</b>
Education	<ul style="list-style-type: none"> <li>• Number of beneficiaries reached with the activity</li> <li>• Number of students/ beneficiaries who have been recipient of the loan</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>• Number of people who use these products</li> <li>• Number of people benefitting from the healthcare facilities</li> <li>• Number of people benefitting from these care/social work services</li> </ul>
Transport	<ul style="list-style-type: none"> <li>• Number of total beneficiaries (i.e. number of people/target populations reached with the roads, railway, subway and/or infrastructure)</li> </ul>
Energy	<ul style="list-style-type: none"> <li>• Number of total beneficiaries (i.e. number of people reached with the power infrastructure related activity)</li> </ul>

Water and Waste Management	<ul style="list-style-type: none"> <li>• Number of people reached with the water, wastewater and/or waste infrastructure related activity</li> </ul>
Real Estate	<ul style="list-style-type: none"> <li>• Number of people (average family unit size number of mortgages) who benefit from the mortgage and/or construction of houses</li> </ul>
Financial and Insurance	<ul style="list-style-type: none"> <li>• Number of people who have been recipient of the finance/microfinance</li> </ul>
IT and communications	<ul style="list-style-type: none"> <li>• Number of people who are going to receive an internet connection for the first time</li> </ul>
Non-profit organizations	<ul style="list-style-type: none"> <li>• Number of non-profit organizations that receive financing</li> </ul>

**Frequency:**

- Annual
  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (please specify): Information published on an annual report  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification  
 Verification / Audit
  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

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- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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