

Banco Santander, S.A. Hong Kong Branch

(A public limited liability company incorporated in Spain)

ENVIRONMENTAL, SOCIAL AND CLIMATE CHANGE RISK MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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I. INTRODUCTION

Sustainable Banking at Santander is implemented through a top-down approach, whereby strategy, governance, risk management and targets and metrics are established at the Board level at Headquarter, and cascaded across the organization, as disclosed in the Santander Annual Report.

This document outlines the local implementation of Environmental, Social and Climate Change (“ESCC”) risk management within Banco Santander S.A., Hong Kong Branch (the “Branch”).

II. STRATEGY

The Branch operates within the Responsible and Sustainable Banking framework established at the Group level, where environmental, social and climate considerations are embedded into the overall business strategy and risk management framework. Responsible and Sustainable Banking is at the centre of Santander’s strategic agenda, encompassing a range of initiatives, projects and workstreams to support sustainable and inclusive growth.

The Branch fully aligns with this Group-wide strategy and is responsible for its effective local implementation, taking into account the specific characteristics of its corporate and investment banking activities, client base and regulatory environment.

Santander’s Responsible and Sustainable Banking strategy is structured around three key pillars:

- Support Climate Transition - The Group aims to achieve Net zero ambition by 2050 helping our customers in their transition to a sustainable and low carbon economy by originating EUR 220 Bn green finance before 2030.
- Integration of ESG into Risk Management - Environmental, social and climate factors are integrated into risk management through established regulatory and control frameworks, supported by materiality assessments that inform the overall sustainability strategy.
- Portfolio Alignment and Environmental Impact – The Group aims to align its portfolio with the Paris Agreement through sector-specific targets and on-going monitoring of key portfolios, with defined targets across priority sectors.

In executing the Group strategy, the Branch follows two main lines of action:

- Client onboarding and sustainable finance- The onboarding of new clients in full alignment with the Environmental and Social Risk Management Policy (“**ESRM Policy**”), alongside enhanced coordination with the Global ESG Solutions team to support the growth of locally originated sustainable finance, in accordance with EU and internal taxonomies.
- Local ESCC risk management capability - The development of a dedicated local ESCC Risk team, responsible for coordinating the implementation of relevant policies and assessing the alignment of ESG-sensitive clients and related transactions with Santander Group commitments and standards. The team also performs regulatory risk assessments and gap analysis to ensure full compliance of Santander policies with applicable local law and regulations.

III. GOVERNANCE

In Banco Santander, S.A., Hong Kong Branch, the Executive Committee (“**ExCo**”) serves as the main governance body. It is responsible for decision-making and oversight across key areas, including business activities, strategy, governance, risks, finance, accounting, human resources, technology systems, and operational matters, as well as for escalating relevant issues to the Group, where appropriate.

The ExCo is regularly informed of, and reviews, the most relevant elements of Santander Group sustainability agenda, and discusses their strategic implications for the Branch's business activities. It aligns with the Group's sustainability strategy, which is based on double materiality approach, identifying material climate change, environmental, social and governance impacts, risks and opportunities, with particular focus on customers, communities and business conduct.

In March 2025, the Risk team presented the “Sustainability Strategy Santander Asia 2025”, which outlines the main elements of Responsible and Sustainable Banking at Santander, assesses its impact on the Branch's operations, and proposes action plans to support the local implementation of the Group's agenda, commitments, and policies. In addition, a sustainability working group has been established to drive ESG-related business and portfolio growth, as well as to mitigate transition risks.

APAC SCIB Executive Risk Forum (“**ERF**”) is the highest risk decision forum within Santander's APAC region. It is chaired by the Regional Chief Risk Officer and comprises all ExCo members. This decision body centralizes risk-related sanctioning authorities, some of which may be further delegated to other forums. The ERF's main authorities include:

- Ensure the effectiveness of the risk governance framework, risk control environment and risk function in general (**Risk Governance & Organization**).
- Define the risk appetite, strategy and management limits (**Risk Appetite and Strategy**).
- Discuss, approve, or reject client and business proposals involving risk taking with potential financial impact for the Branch and/or Region (including credit, market, or investment risks). Proposals exceeding delegated risk authorities are escalated to Global Forums for further review and guidance (**Risk Underwriting**).
- Oversee and monitor the evolution of SCIB Asia and its Branches' risk profile across all risk factors, including credit, market, ESG, non-financial risks (**Risk Oversight and Monitoring**).
- Approve risk mitigation measures, including management actions and provisioning, where appropriate, in accordance with Group policies and applicable regulatory requirements (**Risk Mitigation**).

In response to the growth of Santander Asia business activities and evolving Group risk management requirements, a revised risk governance structure was approved in March 2024. Under this framework, the ERF has delegated certain underwriting authorities to the Risk Control Forum (“**RCF**”). The ERF retains ultimate authority over key risk matters, including the approval of risk strategy, risk appetite, risk management limits by risk type, and the annual review and approval of client limits, while ensuring that ESCC considerations are incorporated at both portfolio, individual client and transaction levels. The RCF, chaired by the Regional Chief

Risk Officer and comprising Risk Management Heads, operates under the authority of the ERF and is responsible for ongoing risk oversight, including monthly review of Santander Asia's risk profile and in-depth analysis of ESCC-related matters such as policy implementation, client assessments, and relevant controversies.

The RCF has reviewed and approved the local transposition of 1) the ESRM Policy, which establishes the principles and criteria applicable across the Group for the financing of E&S sensitive sectors; and 2) the Environmental and Social Risk Screening Policy, which defines the roles and responsibilities for the assessment of ESCC Risks.

- These policies have been embedded in Santander Asia's credit approval and risk oversight processes, with the local ESCC Risk team responsible for ensuring their consistent and effective application.
- The local adoption of these policies implies that:
 - The incorporation of E&S considerations into the pre-assessment process for new client onboarding.
 - The inclusion of qualitative E&S assessments within credit rating papers.
 - The requirement for ESCC Risk team clearance for certain ESG-sensitive transactions (typically those subject to the Equator Principles).
 - The annual assessment of clients' alignment with Santander Group E&S policies and commitments. This assessment is conducted in conjunction with the credit limit approval process; any misalignment with the Group standards may affect the risk appetite for certain clients via a global tiering exercise. This exercise is coordinated by global teams, with direct involvement from the local ESCC Risk team.

At the portfolio level, the RCF is informed on a month basis of the "Branch Risk Profile". The Risk Oversight team, in coordination with its global counterparts, performs periodic and comprehensive assessments of key risks, covering different risks typologies, including credit, market, liquidity, structural, counterparty credit risk, ESCC, model, macroeconomic risks. Accordingly, a set of ESCC-related metrics and key performance indicators is monitored monthly.

In addition, a specific "Climate Change Materiality Assessment" is conducted semi-annually and presented to the RCF, applying the methodology defined by Headquarters to the local portfolios.

At the client level, client's risk assessments are documented in credit rating papers, which incorporate relevant ESCC qualitative information. The Local Rating Forum ("LRF") is responsible for ensuring that ESCC considerations are appropriately assessed as part of the rating process, with the local ESCC Risk team participating as a member of this forum.

At the transaction level, transaction-related risk assessments are subject to review, and where applicable, require clearance from the local ESCC Risk team, particularly for transactions falling within the scope of the Equator Principles. This process ensures that ESCC-related risks are appropriately identified and assessed, that transactions are compliant with our ESRM policy.

IV. RISK MANAGEMENT

Sustainability agenda, commitments, policies and ESCC risk management in general have been integrated locally into the risk management process following a client-centric logic and comprising the following steps:

1. Client Selection (Onboarding / KYC process)

Santander Asia operations are exclusively focused on Corporate and Investment Banking, operating under a client centric approach with low-to-moderate risk profile. Prospective clients are identified and proposed for inclusion in the "MRG Closed List", which is reviewed annually following budgeting exercise. Admission of new client is subject to defined criteria, including financial metrics and geographic alignment. New prospects are determined locally and subsequently ratified at the global level.

As part of the client selection process, a pre-screening assessment is conducted. This includes the consideration of ESCC factors and alignment with Santander Group commitments. The local ESCC Risk team is responsible for reviewing and validating this pre-assessment.

2. Risk Assessment (Rating)

An ESCC section is mandatory within the credit risk rating papers. Currently, this assessment is qualitative and does not directly impact the probability of default or the final credit rating. Credit analysts are responsible for preparing the analysis of the client's business profile, including the ESCC section. The local ESCC Risk responsible, as a member of the LRF, is required to review and validate the information and assessment provided.

It is worth mentioning Santander Head Office is coordinating a working group to develop a methodology for quantitative rating specifically for Environmental, Social and Climate Change Risk, leveraging on data provided by external sources (S&P).

3. Risk Appetite and Management limits setting

Clients' limits are reviewed annually. Credit risk is responsible for incorporating the ESCC analysis results into credit risk admission and monitoring processes.

Group preclassification is reviewed on an annual basis. Alignment with Santander's Environmental and Social (E&S) policies constitutes a key component of this review process. The assessment is conducted in accordance with the ESRM Policy through the completion of specific questionnaires, as applicable. The questionnaires cover, where relevant, ESCC risk management, track record, compliance with the ESRM Policy, and Transition Plan Assessment ("TPA").

This assessment shall be conducted and kept up to date for all clients within the MRG perimeter that generated credit exposure. And such assessment shall be performed through the ESCC Questionnaire & Assessments Library ("EQAL"). Primary responsibility for the preparation of the assessment rests with the Local ESCC Risk team. The Business Team shall, where required, support and contribute to the assessment by providing relevant information and clarifications. The Local ESCC Risk team may seek guidance and assistance from the Global ESCC Risk team, if necessary. The assessment shall be subject to review and validation by the Local ESCC Risk team. Where necessary, appropriate management actions, including the imposition of conditions may be applied following case-specific analysis.

For industries in which Santander has established decarbonization targets, a tiering process is conducted to determine the maximum risk appetite. Tiering is a global exercise applied to all Santander SCIB clients operating in sectors where the Group has set clear emission reduction targets in alignment with NZBA commitments and based on an industry-specific approach. The Local ESCC Risk team participates in the tiering assessment process where local clients and transactions are involved. Given the global nature of CIB clients, the final determination rests with the Global Portfolio Alignment Team. Clients are assessed and assigned to one of four tiers, with the weakest tier typically implying a more constrained risk appetite at the global portfolio level.

In addition to alignment of the decarbonization targets, the Group monitors other climate-relevant portfolios. The portfolios are selected based on their materiality to portfolio alignment, regulatory dependency, and consumption dynamics at both Group and country levels, in line with the Group's sectoral climate approach.

4. Transaction booking

ESCC considerations are included at transaction level in 2 ways:

- From risk perspective, focus is set on project-related deals under the scope of Equator Principles IV (mainly Project-related Financing). Local ESCC Risk team pre-assesses the transactions under the Equator Principles and conformity is required to obtain final approval from the Global ESCC Risk team.
- Secondly, "labelling" of sustainable financing (Green, Social or Sustainable linked) is undertaken. Santander has developed a Sustainable Finance and Investment Classification System ("**SFICS**") with the purpose to label transactions according to the European Union, Santander's (internal) taxonomy and other green and social criteria set out in international standards such as the ICMA Green and Social Bond Principles, the Climate Bonds Standard and the Febraban Taxonomy in Brazil to adapt it to our geographical and sectoral reach. To that effect, a "SCIB ESG Classification Meeting" assures classification is properly applied across the Group; Local ESCC Risk team is an invitee to the meeting discussions whenever local transactions are involved.

5. Monitoring (branch, portfolio and client level)

Portfolio monitoring is embedded in local risk management through two basic tools: Branch Risk Profile and Client Materiality Assessment.

- For branch risk profile, ESCC monthly monitoring focuses on portfolio alignment risk appetite metrics and ESCC portfolio quality (exposures with high/medium/low residual risks) are reported. The analysis lies on Local ESCC risk team, and it is integrated in the overall profile assessment. This exercise is presented once a month in the RCF and "key take aways" and an executive summary is made available for RCF Members.
- A portfolio level Climate Change materiality assessment is conducted semi-annually, following a corporate methodology that is applied to local portfolios. The analysis is conducted by Local ESCC responsible, and it is presented to the RCF.

Monitoring of clients' ESCC profiles is conducted on a continuous basis. In the event of relevant and significant ESCC-related adverse media or controversies, the Local ESCC Risk team assesses the associated risks and impacts and, where necessary, liaises with the Front Office to obtain additional information through client engagement. Where appropriate, mitigating measures, action plans, and specific conditions are defined and implemented.