

# **SOFT COMMODITIES SECTOR**

## **General Policy**

### **Santander Group**

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## 1 INTRODUCTION

### 1.1 Purpose and context

The purpose of this policy is to set out Santander's criteria for the soft commodities sector.

Forest resources (natural forests, planted forests and reforested areas) have an undeniable ecological value and, at the same time, represent a source of wealth that is seen in a large number of commercial activities such as wood processing, palm oil extraction, biofuel generation and the production of cellulose pulp for manufacturing paper.

Banco Santander, S.A. and its Group (“Santander” or “Santander Group”) are active in countries with a high level of production of forestry-based products. This requires that minimum standards be set to ensure the sustainability of projects and activities carried out in this field.

This document develops the general corporate Risk Framework and the general Compliance & Conduct Corporate Framework. This policy is aligned to, and must be applied in conjunction with, Santander Group’s Sustainability Policy.

### 1.2 Regulatory references

This policy takes into account best practices, international standards and treaties, such as:

- Revised principles, criteria and certifications of the Forest Stewardship Council (FSC).
- The Programme for the Endorsement of Forest Certification (PEFC).
- Principles and Criteria for the Production of Sustainable Palm Oil (2013) issued by the Roundtable on Sustainable Palm Oil (RSPO).
- Standard for Responsible Soy Production issued by the Round Table on Responsible Soy (RTRS).
- The Soft Commodities Compact developed by the Banking Environment Initiative.
- Ramsar Sites<sup>1</sup>, World Heritage Sites, or areas classified by the International Union for Conservation of Nature (IUCN) as categories I, II, III or IV<sup>2</sup>.
- The Equator Principles

### 1.3 Definition

This document sets out Santander Group’s policy on providing financial products and/or services to customers with an impact on tropical forests, tropical savannahs, and savannah biomes or located in High Risk Geographies, involved in the following activities:

- Extraction and processing of timber products

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<sup>1</sup> The Convention on Wetlands, called the Ramsar Convention, is the intergovernmental treaty that provides the framework for the conservation and wise use of wetlands and their resources.

<sup>2</sup> The International Union for Conservation of Nature (IUCN) classifies protected areas according to their environmental management objectives. The categories are recognised by international bodies such as the United Nations and by many national governments as the global standard for defining and recording protected areas and as such are increasingly being incorporated into government legislation. Category I: Nature Reserve And Wilderness Areas, Category II: National Park, Category III: Natural Monument or Feature, Category IV: Habitat/Species Management Area

- Supply chain of the raw materials used in the manufacture and/or processing of wood-based cellulose, paper and textiles
- Soy plantations
- Oil palm plantations
- Rubber plantations
- Processing of soy, palm oil or rubber.
- Agriculture and cattle ranching
- Biomass<sup>3</sup> or biofuel production

High Risk Geographies are defined as: Any country in Africa, Argentina (only the Provinces of: Chaco, Formosa, Santiago del Estero, Salta and Tucumán) Bolivia; Brazil (only the Legal Amazon and Northeast regions); Cambodia; China; Colombia; Ecuador; Estonia; Guatemala; Guyana; Honduras; India; Indonesia; Laos; Latvia; Lithuania; Madagascar; Malaysia; Mexico; Myanmar; Nicaragua; Panama; Paraguay; Papua New Guinea; Peru; Russia; Solomon Islands; Thailand; Vietnam; and any customer stating “unknown”. The High-Risk Geographies will be reviewed in light of expansion of agribusiness in new regions.

For the purpose of this policy, financial products and/or services are defined as: transactions giving rise to credit risk, insurance, asset management, equity and advisory services.

The prohibited activities in Section 2 of this policy apply across all Santander Group units and businesses.

Assessments of the relevant environmental and social risk impacts will be required for Santander Corporate and Investment Banking consumers. This assessment shall be more detailed when providing financial products and/or services to the restricted activity subsectors set out in Section 2.

#### 1.4 Scope

This policy applies across the corporation and, in so far as it reflects best practices, is considered a reference document that may be used as a guide for other units in the development of the subject area in question. Group units are expected to use it as a basis for developing their own regulations, without prejudice to any adaptation that may be required for compliance with local regulations and the recommendations or requirements of their supervisory authorities, among other reasons.

The regulations transposing this policy must be validated at corporate level before being approved by the entity involved. The regulations which are valid on the date that this policy comes into force must be adapted to it.

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<sup>3</sup> For purposes of the Soft Commodities policy, biomass is defined as “the biodegradable fraction of biological products, residues and waste from agriculture (including vegetable and animal substances), forestry and similar industries (including fisheries and aquaculture)”.

## 2 APPLICATION CRITERIA

### 2.1 Prohibited activities

Santander Group will not provide financial products and/or services to any of the following activities:

- Developments in forested peatlands in High-Risk Geographies
- Extraction and sale of native tropical wood species not certified to FSC.
- Projects or activities located in areas classified as Ramsar Sites, World Heritage Sites or by the International Union for Conservation of Nature (IUCN) as categories I, II, III or IV.

### 2.2 Restricted activities:

When providing financial products and/or services, Santander Group will pay particular attention to<sup>4</sup> the environmental and social risks arising from the location of the facilities used for the following activities:

- Processes with an environmental impact in high ecological or social value forests listed as UNESCO World Heritage Sites.
- Extraction and sale of native tropical timber species.
- Forestry plantations in forests listed as protected by official bodies.
- Developments in any forested areas that have suffered forest fires or mass deforestation in the last five years.
- Financing of activities that create the expansion of the agricultural/plantations frontier to the detriment of natural forest.

## 3 GOVERNANCE AND DELEGATED AUTHORITIES

Environmental and social risk analysis is carried out in accordance with established procedures.

This analysis must be integrated into the credit risk workflow, and it is the responsibility of the credit risk approver (committee or individual authorizer) to ensure that decisions are made taking into account the environmental and social risks and the criteria defined in this policy.

## 4 GOVERNANCE OF THE POLICY

### 4.1 Ownership of the policy

The Environmental and Social Risk Management (ESRM) function is responsible for drawing up this policy.

The owner of this policy is the Board of Directors of Banco Santander, S.A. Prior to approval, the policy was reviewed by the risk control committee and the responsible banking, sustainability and culture committee.

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<sup>4</sup> Please refer to section 1.3

#### 4.2 Interpretation

The Environmental and Social Risk Management (ESRM) function is responsible for interpreting this policy.

#### 4.3 Effective date and review of the policy

This policy will come into force on the date it is published. Its contents will be reviewed on a regular basis, and any changes or modifications considered appropriate will be made.