

# Santander ESG

## Towards a more sustainable world

9M 2022





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An aerial photograph of a vast, dense forest of tall, green coniferous trees, filling the entire frame. The perspective is from directly above, showing the intricate patterns of the tree canopy.

# ESG strategy

01

## ESG strategy

Our approach

# What makes us different

Full alignment with our corporate strategy

**Financial Inclusion**  
Best Bank for Financial Inclusion in 2022

**Decarbonization**  
Net-zero decarbonization targets as founding members of the NZBA



**Green Finance**  
#1 worldwide Bank in financing Renewable Energy

**Governance**  
Best practices and robust board composition

## ESG strategy

### Our approach

As a responsible bank we place **sustainability at the centre of our core activities** to deliver on our purpose of helping people & business prosper



#### Our vision

is to play a major role in the transition to a low carbon economy, supporting inclusive & sustainable growth and taking into account social and environmental risks & opportunities



#### Our strategy

focuses on delivering our Net zero ambition by 2050, while we continue helping customers transition to a low carbon economy, develop best in class sustainable propositions, and do things in a simple, personal and fair way



#### Our actions

materialize the Group's ESG strategy, as we continue progressing and delivering on our responsible banking commitments, to help tackle global challenges



Founding Member 2021



Best bank for Financial Inclusion 2022



Principles for Responsible Banking,  
Founding Member 2019



Signing member 2009



Good Corporate Governance  
Certificate 2021

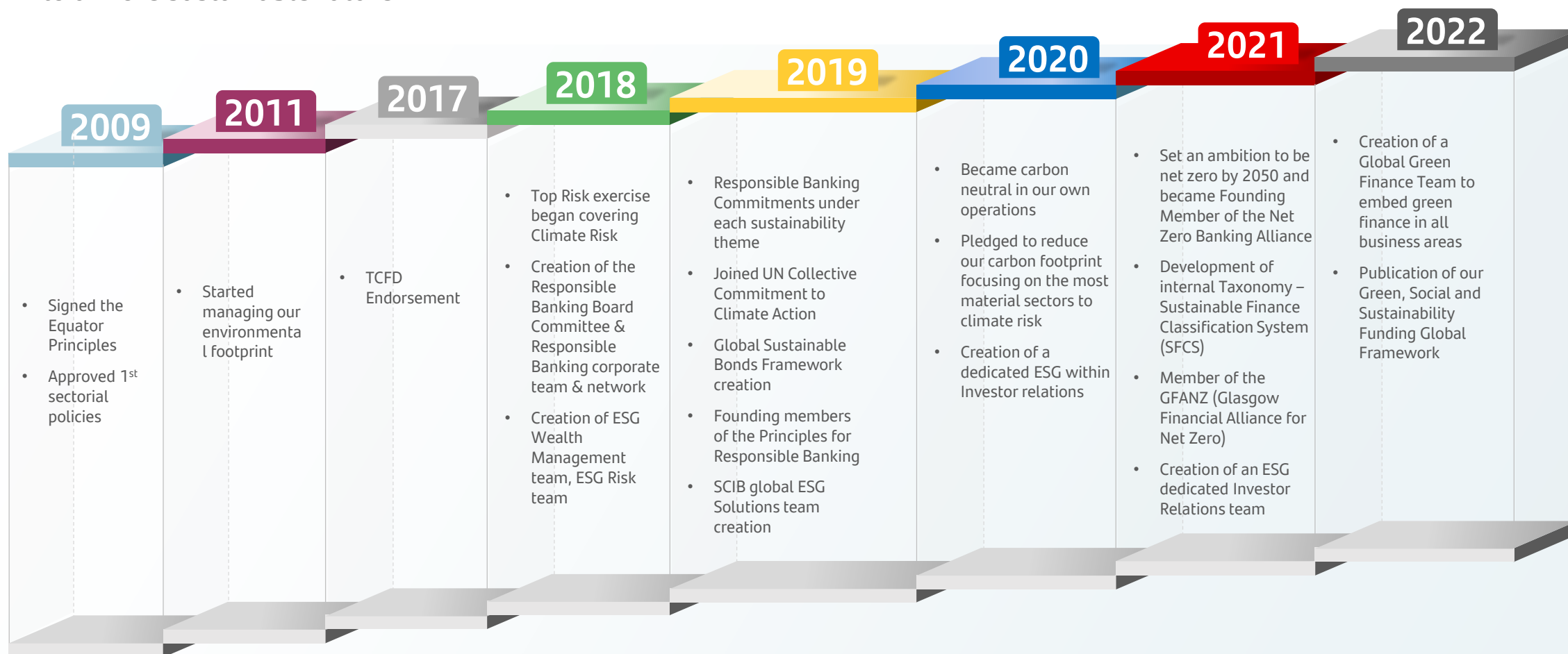
## ESG strategy

**Overarching goal:** Achieving our purpose by promoting **sustainable & inclusive growth**

3 strategic pillars	Ambition	Strategic Actions	SDG's
Support climate transition	Deliver our <b>Net zero</b> ambition <b>by 2050</b> helping our <b>customers</b> in their <b>transition</b> to a sustainable and low carbon economy	<ul style="list-style-type: none"> <li>• <b>Alignment of the sectors</b> with highest level of <b>GHG emissions</b> with our Net zero commitment, in line with NZBA, while taking into consideration other sustainability goals</li> <li>• Support <b>customers</b> in <b>accelerating their transition, engaging</b> with them and developing a <b>best-in-class sustainable finance and investment</b> proposition</li> </ul>	 
Contribute to generate positive society returns	Support <b>productive inclusion</b> across our <b>main stakeholders</b> : employees, customers and communities	<ul style="list-style-type: none"> <li>• <b>Diverse and inclusive workplace</b> that fosters employee wellbeing</li> <li>• Support <b>financial inclusion</b> of the most vulnerable customers, promoting access to banking products and services and offering financial education</li> <li>• <b>Community support</b>, with focus on Education, Employability and Entrepreneurship</li> </ul>	   
Embed ESG across the organization	<b>Incorporate ESG</b> in behaviours, policies, processes and governance throughout the Group	<ul style="list-style-type: none"> <li>• Consistent <b>tone from the top</b> to drive <b>cultural change and deliver on our commitments</b> (climate, diversity, training...)</li> <li>• <b>Integrate ESG</b> into strategic processes, Risk Management &amp; rest of relevant functions and build capabilities</li> </ul>	 

### Our journey

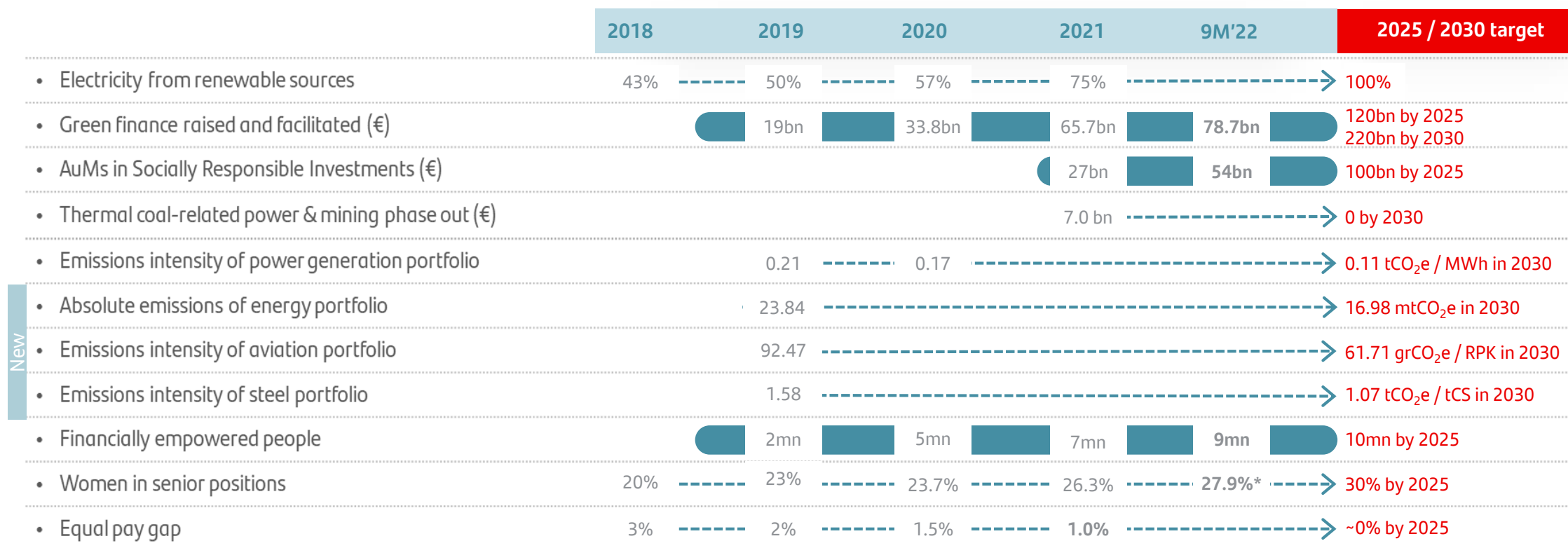
Our journey over the past years highlights Santander's ongoing commitment to fight climate change and contribute to a more sustainable future



## ESG strategy

### Responsible Banking commitments

We have consistently delivered our Responsible Banking commitments achieving all the targets set in 2019 to be met by 2021, we continue progressing on the remaining ones while setting new additional decarbonization targets



Note: 2022 data not audited.  
(\*) H1'22 data.

---> From...to...      Accumulated

## ESG strategy

### Our achievements

We want to **make a positive impact** with actions that reflect our sustainability strategy and commitment

**9 mn** People financially empowered since 2019

**#1 bank worldwide** by number of deals in renewable project finance

**EUR 78.7 bn** of Green Finance mobilized since 2019

**3 Green bonds** issued since 2019 for an amount of EUR 1 bn each



**426 mn** in loans through our microfinance programmes in H122

**75%** of electricity used from renewable resources already surpassing our 2021 target

**>387 k** Beneficiaries of scholarship and entrepreneurship programmes as of H1'21

**>60%** of independent directors and **40%** of women representation at Board level

## ESG strategy

### Commitment from our Top Management

By delivering on our purpose to help people and businesses prosper, we grow as a business and continue to help society address its challenges



**Ana Botín**  
Executive Chairman

"As a responsible bank, our approach to ESG issues is central to our strategy"

"At Santander, we've always known we have a responsibility to support society – and I have no doubt that we'll continue to fulfil it. We are determined to help businesses and communities across the world build back better – and use this as an opportunity to address global challenges such as inequality and climate change"



**Jose Antonio Álvarez**  
CEO

"We believe in the importance of building a more responsible bank that responds to all our stakeholder's demands on ESG sustainability issues"

"For many years, Santander has been committed to the environment and supporting sustainable and inclusive growth, for which we have set clear goals, supporting our clients in their transition to a low-carbon economy"

## Responding to the humanitarian crisis in Ukraine

To support our Ukrainian customers in Poland and other European markets, we removed fees on all permitted transfers to Ukraine.



### Actions

1. We have housed 30 families in the Financial City
2. We supported with more than 1000 volunteer employees for Spanish or computer classes. In Poland we have supported family members of employees from Ukraine in their search for employment, and in Spain, we have chartered a plane with the Spanish government to transport 180 Ukrainian refugees to Spain.

### Donations

1. EUR 13 mn channeled including employee's and client's donations as of 28 March 2022.
2. EUR 1 million has been donated to the Red Cross and UNHCR, the UN Refugee agency.

### Other initiatives

#### **SANTANDER ASSET MANAGEMENT**

Santander Asset Management donated a total of 250,000 euros from its Santander Sostenible 1 solidarity fund in Spain to the Red Cross and UNHCR, the UN refugee agency.

#### **SANTANDER BANK POLSKA**

Santander Bank Polska has been working with the UN Refugee Agency (UNHCR) to develop a solution that provides quick and secure access to cash for refugees fleeing to Poland from Ukraine to support their transition and integration into the country.

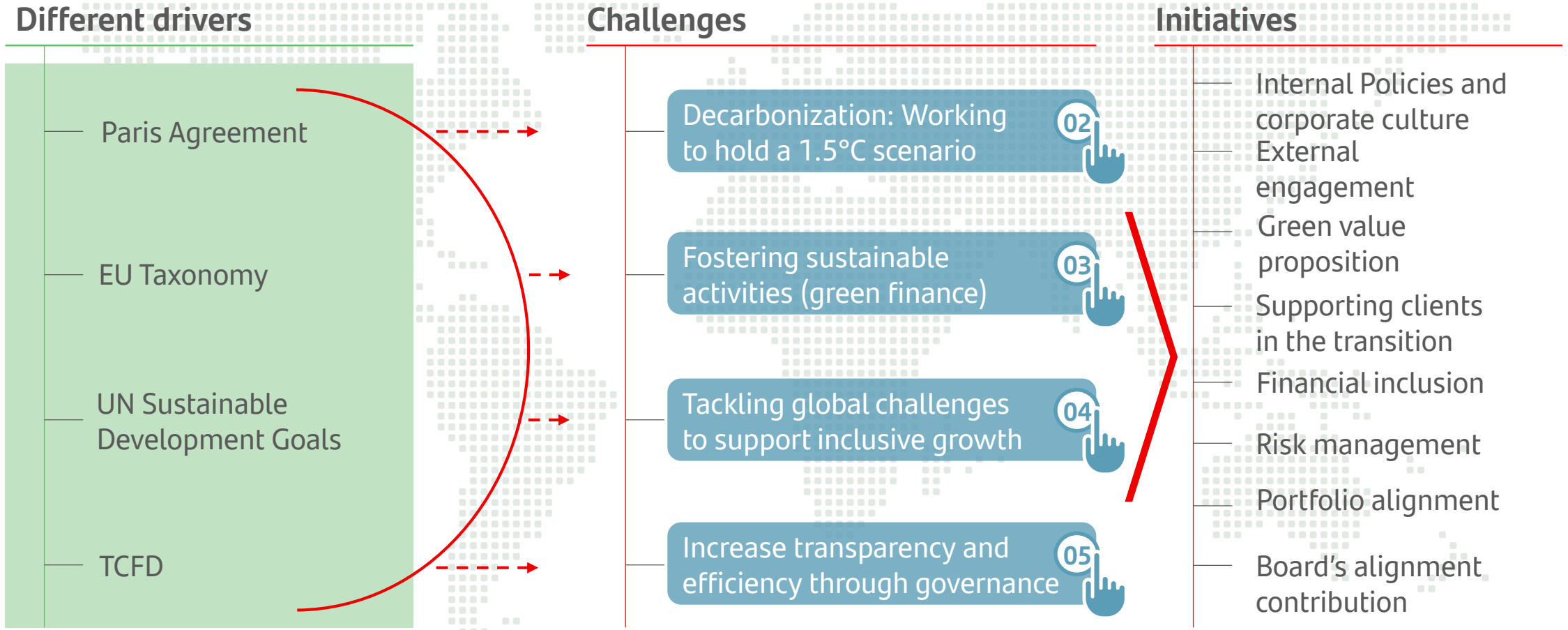
#### **OPENBANK**

Openbank, Santander's fully digital bank, is offering a basic payment account to all Ukrainians who had to leave their country due to the war in recent weeks.

Santander Bank Polska has also put in place other procedures such as suspend account and card fees, charge-free use of ATMs and ongoing access to cash in branches via ATMs.

## Main challenges

Our group strategy focuses on supporting global initiatives to tackle climate change and promote sustainable growth that is accessible for everyone



# Decarbonization targets

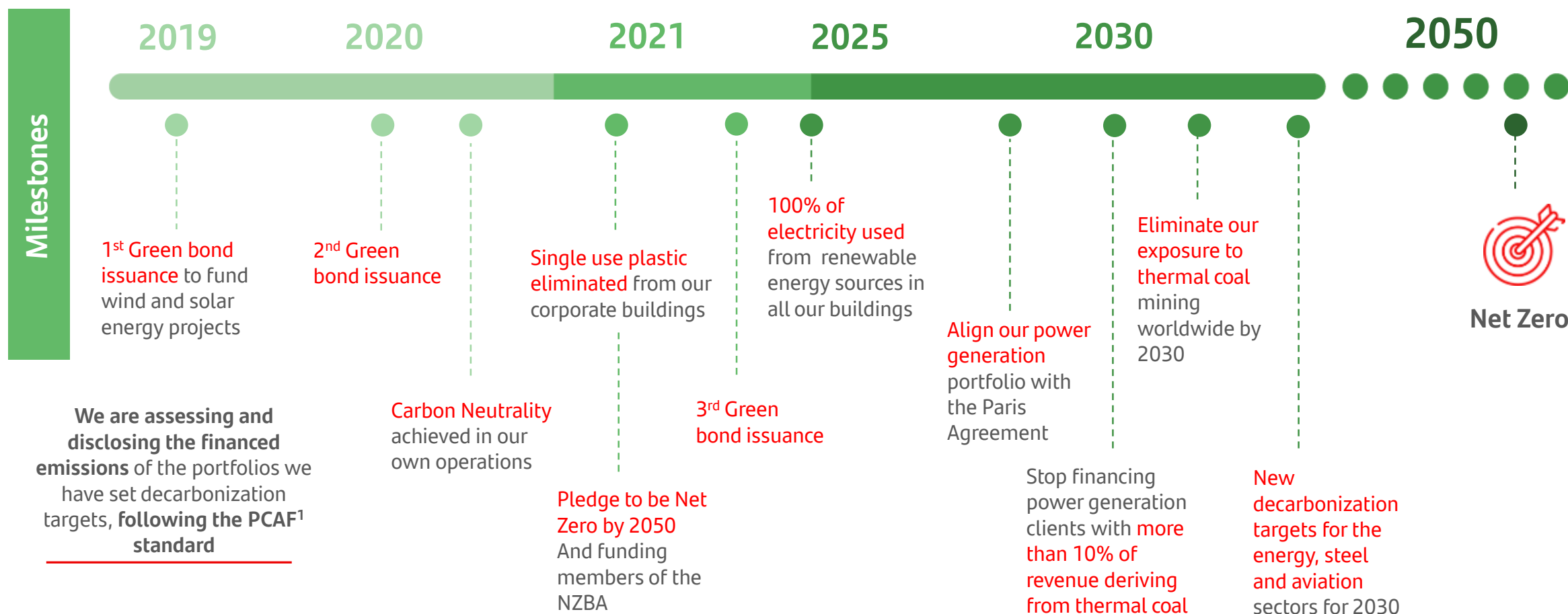
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# Decarbonization Targets

## Net zero journey

In order to be aligned with the Paris Agreement and with the aim of limiting global temperature increase to 1.5°C, we have committed to be net zero in carbon emissions by 2050 also as part of the NZBA



## Decarbonization Targets

### What do we want to achieve?

As one of the world's largest banks, **we have a clear role to play** in financing the transition to a greener economy. We have met the goal of being carbon-neutral in our own operations in 2020, but we aim to go further and raise our level of commitment

1



Align our portfolios to the **Paris Agreement** while **delivering on our decarbonization targets and setting new ones**

2



We will help more customers – people and businesses go green by **offering a green value proposition** to help them make sustainable choices

3



We will continue to **reduce the impact** we have on the environment created by Santander's day to day operations

**Additional targets on other material sectors** like energy, aviation and steel have been published, you can check the full details in our [Climate Finance Report](#)

## Decarbonization Targets

### Sectorial policies

Our updated **Environmental, Social and Climate Change Risk Policy** covers **all our lending practices** to customers involved in coal fired power plants, and in the extraction, production and treatment of oil and gas, expressly prohibiting **funding to (among others):**



#### Oil & Gas

- New oil upstream clients, except for transactions for the specific financing for renewable energy
- Project-related financing to Oil upstream greenfield projects. Any projects, or expansion of existing facilities, north of the Arctic Circle
- Projects involved in the exploration, development, construction or expansion of oil & gas extraction from tar sands, fracking or coal bed methane



#### Mining & Metals

- Project-related financing for new, or the expansion of thermal coal mines.
- Project-related financing for the construction or development of infrastructure projects whose expected revenues from coal mining-related activities will be more than 30% of the project's revenues in the first five years.
- New clients that own thermal coal mining operations and projects worldwide, except for transactions for the specific financing for renewable energy



#### Power Generation

- From 2030, any entities with more than 10% of revenues, on a consolidated basis, directly derived from coal fired power generation
- Project-related financing for new coal-fired power plants projects worldwide, or for the upgrade and/or expansion of existing coal-fired plants
- New clients with coal-fired power plants, except for transactions for the specific financing for renewable energy



#### Soft commodities

- Extraction of native tropical wood species not certified to FSC<sup>1</sup>
- Palm oil processors that are not certified to RSPO<sup>2</sup>
- Developments in forested peatlands in High-Risk Geographies

## Decarbonization Targets

### Fossil fuel financed

We rank well below most of our peers in fossil fuel financing in absolute and relative terms in 2021

Ranking by fossil fuels financed

Rank	Mandated Arranger	Fossil fuels financed (Billion \$)	Fossil fuels financed over total lending
1	Bank 1	61,732	5.73%
2	Bank 2	46,215	5.16%
3	Peer 1	41,351	6.35%
4	Bank 3	38,757	9.65%
5	Bank 4	31,978	3.27%
6	Bank 5	31,899	3.26%
7	Peer 2	30,402	4.94%
16	Peer 3	17,976	1.72%
19	Peer 4	14,745	1.53%
24	Peer 5	10,753	1.45%
28	Peer 6	9,946	1.48%
<b>35</b>	<b>Santander</b>	<b>7,920</b>	<b>0.69%</b>

Source: The Banking on Climate Chaos: Fossil Fuel Finance Report 2022

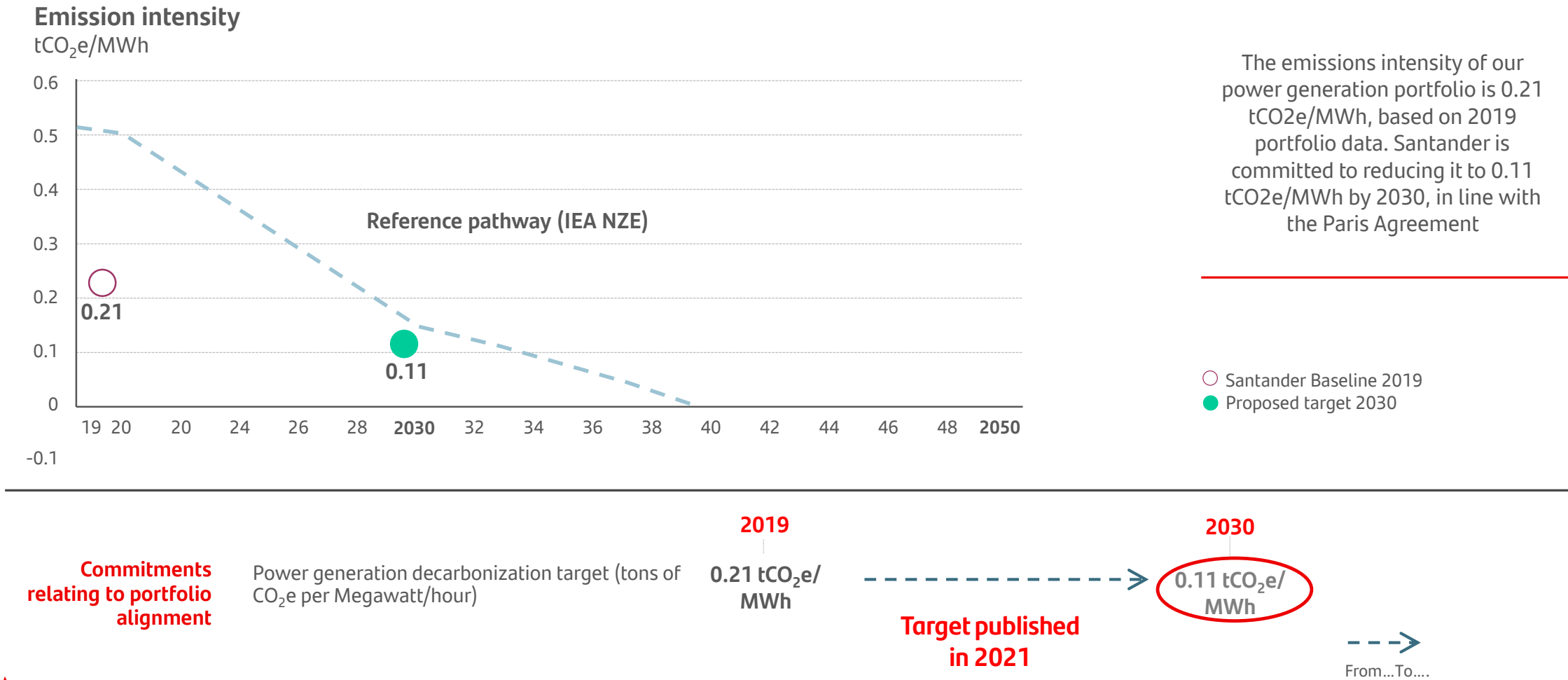
**Santander's fossil fuels financing remains below 1%, more than 7 times less when compared to the leading bank**



Decarbonization Targets

Further commitments






As part of the NZBA, we have estimated the current and future emissions of our power generation portfolio and proposed the first GHG decarbonization targets for 2025 and 2030, further aligning our portfolio to the Paris Agreement



## Decarbonization Targets

### New commitments

We have set new decarbonization targets according to our internal roadmap from last year's Climate Finance Report. They target the most carbon intensive and material sectors. **These new targets have been set for 2030 against 2019, for the energy (-29% absolute emissions), aviation (-33% emissions intensity) and steel sectors (-32% emissions intensity)**

Sector	Scenario	Emissions	Metric	2019 baseline	2030 targets
 <b>Power generation</b>	IEA Net Zero 2050	Scope 1	tCO <sub>2</sub> e/MWh	0.21*	0.11 (-46%)
 <b>Energy</b>	IEA Net Zero 2050	Scope 1 + 2 + 3**	mtCO <sub>2</sub> e	23.84	16.98 (-29%)
 <b>Aviation</b>	IEA Net Zero 2050	Scope 1 + 2	grCO <sub>2</sub> e/RPK	92.47	61.71 (-33%)
 <b>Steel</b>	IEA Net Zero 2050	Scope 1 + 2	tCO <sub>2</sub> e/tonne steel	1.58	1.07 (-32%)
 <b>Thermal coal</b>	Phase-out targets to eliminate exposure by 2030 to: <ul style="list-style-type: none"> <li>• Power generation customers with a revenue dependency on coal of over 10%</li> <li>• coal mining</li> </ul>				

\* In last year's Climate Finance Report, we assessed the 2019 financed emissions of our power generation portfolio, including guarantees and other types of off-balance exposure to our customers that do not entail current funding. Because, according to the PCAF standard, such exposure should not be calculated if its attribution factor is "outstanding", we were over-attributed with our corporate customers' emissions. Therefore, the 2019 baseline emissions intensity has been restated from 0.23 to 0.21. The target and climate ambition remains for this sector.

\*\* Use of sold products

## Decarbonization targets

### Examples of some Country and Unit efforts

Net zero actions and commitments in Wealth Management & progress in our decarbonization strategy in Poland

#### Wealth Management Road to Net Zero

##### 1 Climate Commitments

In March 2021, Santander AM joined the global Net Zero Asset Managers (NZAM) initiative for net zero greenhouse gas emissions by 2050

2030 interim target to reduce net emissions by half for 50% of AUM in-scope<sup>1</sup>

##### 2 EUR 100 bn sustainable AUMs by 2025<sup>2</sup>

Increase through fund reprofiling and new sustainable investment products and services

Creation of a global ESG strategy team to coordinate the efforts of our three businesses and strengthen SAM's ESG dedicated team

##### Net Zero Actions

# 1 Participation in key investors climate initiatives

# 2 Collaboration as a tool for driving change

# 3 Engagement plan in our core markets with a focus on SME's

# 4 Polluting Sectors strategy, phasing-out coal exposure and focusing on key material sectors

# 5 Portfolio construction evolution, towards Net Zero

# 6 Facilitation of investment in climate solutions

# 7 Maintain leadership in climate stewardship and advocacy in core markets



#### Poland strategy Committed to support the Coal phase-out

##### Alignment with decarbonization targets

- Poland's energy mix is **shifting away from** coal to Renewable Energy Sources (RES)
- Santander Bank Polska (SBP) credit portfolio should be aligned with the coal-exit 2030 benchmark **earlier than the deadline**
- SCIB is the market leader in Green Finance** with estimated market share exceeding 15%
- Government approved energy strategy plan (PEP2040) that assumes **17GW of new capacity in RES and gas by 2030**
- It is estimated that the above plan will require between **EUR 20 bn and EUR 32 bn CAPEX**

##### Helping clients to transition (transactions arranged and executed by SBP)

- Direct financing of RES projects (last 12 months): **SBP arranged financing of 500MW of wind and solar projects** and we are committed to reach 1GW in H1 2022
- Supporting clients in transformation into green Energy and ESG:
  - First ever ESG-linked syndicated loan in Poland
  - First Corporate green bond
  - Green Eurobonds for the Republic of Poland
  - The first sustainable-linked bonds
  - The first ESG-linked bonds
  - ECA-backed financing for RES project
- M&A transactions and debt advisory services for our clients in RES

# Financing the green transition



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## Green Finance

### Our global reach

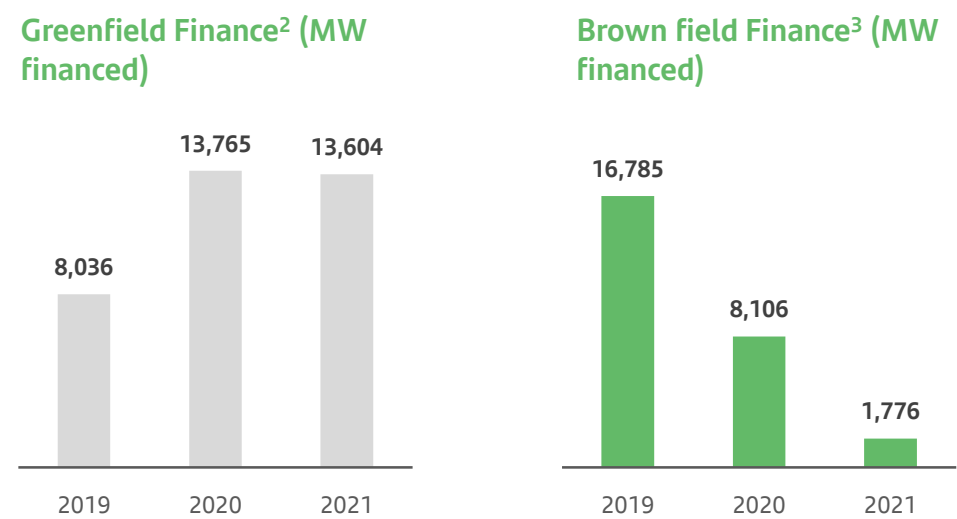
Finance is a key enabler of the transition towards a low-carbon economy. We are contributing to a more sustainable economy by managing climate-related risks and opportunities, building a comprehensive sustainable and green finance proposition. We are currently working on:



# Green Finance

## Our global reach




The generation capacity of the renewable energy projects we have financed or advised in 2021 amounts to the yearly consumption of 9.2 million households<sup>1</sup>




### Breakdown of Greenfield and Brownfield Finance by Country in 2021<sup>4</sup>




### Breakdown of Financed MW by Type of Renewable Energy

	Wind energy	77% 35%	77% 46%	58% 46%
	Solar energy	22% 54%	18% 33%	39% 64%
	Others <sup>D</sup>	1% 11%	5% 21%	3% 21%
		2019	2020	2021

### Flagship projects in offshore wind



Santander was the sole financial advisor and green loan coordinator in a landmark transaction to finance Vineyard Wind I, an 800 MW offshore wind Project off the coast of Massachusetts and the first large scale offshore wind farm in the US.



Santander was mandated lead arranger in the financing of Dogger Bank C, a 1.2 GW wind farm being built off the coast of Yorkshire. It is the largest offshore wind Project financing to date, and is due to be the largest offshore wind farm globally. Each phase will produce enough electricity to supply 5% of the UK's energy demand.



## Green Finance

### Our #1 global franchise

Santander has consistently been the **leading Bank in financing renewable energies** for the past 10 years and we aim to **maintain our leadership**

Global Renewable Energy Project Finance Volume and Transactions by MLA FY 2011-21

Rank	Mandated Arranger	Vol. (€m)	Nº
<b>1</b>	<b>Santander</b>	<b>33,960</b>	<b>596</b>
2	Mitsubishi UFJ	29,882	467
3	Sumitomo	26,707	451
4	Société Generale	17,400	312
5	Nord LB	12,287	287
6	BNP Paris	16,874	270
7	Crédit Agricole	15,988	267
8	Rabobank	12,440	266
9	ING	12,559	256
10	Natixis	14,590	242

Europe & Americas Energy Project Finance Volume and Transactions by MLA FY 2011-21

Rank	Mandated Arranger	Vol. (€m)	Nº
<b>1</b>	<b>Santander</b>	<b>33,607</b>	<b>593</b>
2	Mitsubishi UFJ	23,539	350
3	Sumitomo	18,727	289
4	Nord LB	11,444	267
5	Rabobank	11,921	253
6	Société Générale	14,393	249
7	Crédit Agricole	14,342	241
8	BNP Paribas	14,868	227
9	Natixis	12,811	219
10	ING	10,625	219

## Green Finance

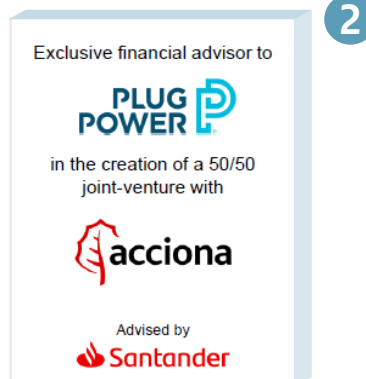
### Expanding our capabilities into new clean technologies

These landmark transactions further expand Santander's expertise in new clean energy technologies and strengthen our leadership on Green Finance



Plug Power and Renault announced in early 2021 the signature of a Memorandum Of Understanding ("MoU") to launch a 50/50 joint-venture, with an ambition to become a leading player in Europe in the R&D, transformation and sale of fuel cell vehicles and hydrogen turn-key solutions

Plug Power and Acciona announced in 2021 the signature of a MoU to launch a 50/50 joint-venture based in Spain, with an ambition to serve the growing demand for green hydrogen solutions in the Iberian peninsula



The French start-up Verkor announced in 2021 the signature of a MoU with Renault Group to co-develop and manufacture high-performance and sustainable batteries in France

Strategic acquisition which marks the entry of JBS into the cultured meat business worldwide and its first investment in Spain. First deal in the sector in which a global player acquires a majority stake in a cultured meat company



The New Suez perimeter includes Suez's Water and Recycling & Recovery activities in France, as well as international assets in Italy, Central Europe, Africa, Central Asia, China and Australia, and global digital environmental activities

## Green Finance

### Green solutions for our individual, SMEs and Corporate customers

Building on our current offering of ESG products (launched in 2019), we continue to strengthen our sustainable finance proposition with **dedicated purpose and sustainability-linked financing**

Our green financing products and services are designed around **five key verticals**, adapted to the specific needs of our customers in all geographies

	What we finance	Our customers needs...	Key geographies
 <b>Green buildings</b>	Purchase, construction and refurbishment of energy-efficient buildings. Installation and refurbishment of renewable power systems that use 30% less energy.	Developer loans, private solar panel installation, smart meters, energy-efficient lighting, mortgages with an "A" or "B" energy rating.	
 <b>Clean mobility</b>	Clean transport and infrastructure.	Leases of electric and hybrid vehicles (<50 g CO2 per passenger km) and financing for charging stations and bicycle lanes.	
 <b>Renewables</b>	Renewable energy production and transport. Energy storage.	Financing of solar panels, wind farms and battery and storage battery production.	
 <b>Agro</b>	Sustainable and protected agriculture. Land and forest conservation. Sustainable farming.	Financing of greenhouses, reduced irrigation systems, efficient machinery, reforestation and reduced fertilizer use.	
 <b>Circular economy</b>	Activities to adapt to, or mitigate, climate change; preserve biodiversity; and boost the circular economy.	Financing of water, waste and soil treatment; greater energy efficiency; lower emissions; and conservation.	

## Green Finance

### Examples of some Country and Unit efforts

Providing sustainable solutions to our customers in Consumer Finance & Santander España

#### Santander Consumer Finance Green proposition already a reality

333.200 Electric + Hybrid cars  
financed: €9,6 billion  
(47% of New Business) of  
which

140.500 Electrics  
(€4,0 Bn - 19,4% of New Auto Finance)

- Subscription Services
- Carbon Compensation Services
- New agreements with OEM specialists
- New finance product catalogue for EVs

11% of Consumer (non-  
auto) business already  
green:

- Solar Panels
- Green heating systems
- Chargers
- Bikes & e-bikes
- Eco cards
- Green fashion
- Social Education

#### SCF Green Bond issuance

2020: 2 Issuances SEK 1 Bn

2021: 4 Issuances SEK 1,5 Bn & NOK 1,0 Bn



#### Santander España Sustainable product proposition

##### Products for SME's

###### Green Loans – 5 verticals

- > Green Buildings
- > Clean mobility
- > Renewable Energy
- > Sustainable Agro
- > Circular economy

##### Sustainable products

- offer: Real estate developers
- Green mortgage
- Home retrofitting loans
- ECO Renting / leasing mobility
- Renovation of agricultural machinery, and EIB sustainable Agro line
- Photovoltaic leasing for the installation of solar panels

##### Non-financial offer

- Carbon footprint calculation and compensation for individual customers
- Eco cards
- Home and mobility eco simulators
- Sustainability certification for SME's provided by AENOR in partnership with Santander
- **Platform to help companies manage and benefit from public aid and the NextGenEU funds**
- **Other services** provided include assistance to complete **Non-financial reports and carbon footprint calculator for Corporates**

## Green Finance

### Protecting the Amazon

We believe it is **critical to protect the Amazon rainforest in order to tackle climate change**. In July 2020, Santander Brazil announced a plan to promote sustainable development in the Amazon in collaboration with the two other largest private-sector banks in Brazil (Itaú & Bradesco)



#### Brazilian Amazon approach

Santander was the first private-sector Brazilian bank to develop in 2002 credit analysis that considered environmental and social risks, and in 2016, we were the first bank to formally incorporate a sustainability rating into the credit score of our Corporate clients

#### Actions taken:

- Loan requests by farmers & ranchers are checked for embargoes related to illegal deforestation
- Looking ahead we will expect beef processing clients in the Amazon to have a fully traceable supply chain that is deforestation-free by 2025, including indirect suppliers of cattle, as a prerequisite for granting credit
- Client's practices are reviewed annually (more than 2,000 clients), including beef processors, soy traders and logging companies
- Founders of The Round Table on Responsible Soy (RTRS)



The Plano Amazônia **prioritizes eliminating deforestation from the beef value chain**, understanding the land ownership issue and promoting the cultivation of local crops

- As part of its credit approval for loans to farmers and ranchers, Santander works with a satellite-imaging firm that monitors 17,000 properties that are financed or that are taken as collateral
- For corporate clients across Brazil, not just in the Amazon, Santander has a set of processes and controls that take into consideration if our clients are legally compliant and have good practices
- Santander continues to engage with other concerned parties to stop deforestation. It was the first bank in Brazil to require native-species lumber companies to have the Forest Stewardship Certification (FSC) to become a client, as well as the RSPO (Round Table on Sustainable Palm Oil) and RTSR certifications



# Financial Inclusion, Empowerment & Community support

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## Financial Inclusion, Empowerment & Community support

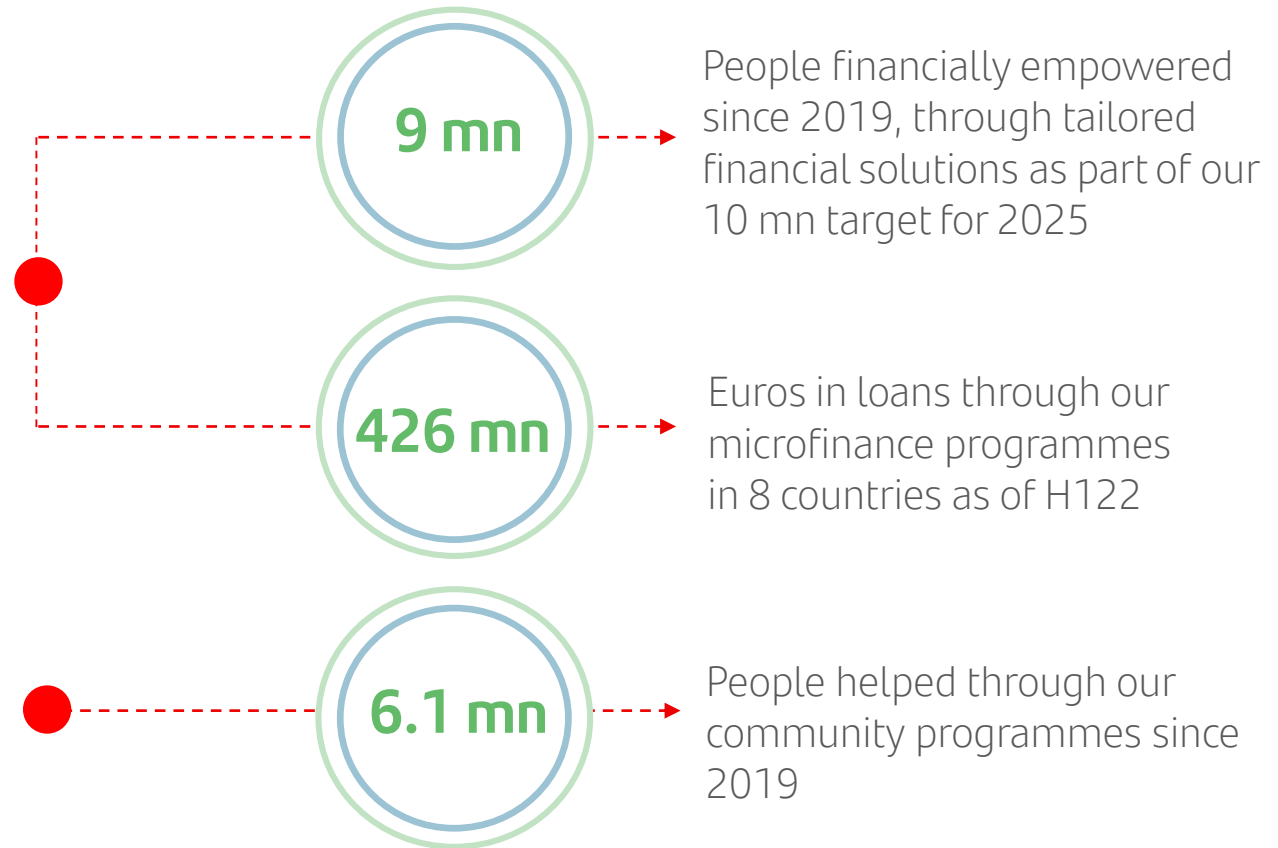
### Global approach

At Santander we seek to provide tailored finance to those facing difficulties while trying to access credit, by designing solutions for individuals and SMEs in financial distress. The Group is leading numerous global initiatives to promote social progress



"Banks have a critical role to play in supporting inclusive and sustainable growth around the world. We are part of the solution, supporting our employees and customers while delivering sustainable returns to our shareholders"

**Ana Botín**  
Executive Chairman



## Financial Inclusion, Empowerment & Community support

### Financial Inclusion & Empowerment - Global approach

We continue to **help people access the financial system and set up micro-businesses** while we provide them with the appropriate tools to manage their finances. **This is achieved through initiatives like Santander Finance for All:**

Through this global strategy we address the needs of individuals and SMEs in Europe, Latin America and the US who have limited financial knowledge, financial difficulties or problems obtaining credit with **3 main lines of action:**

#### Santander Finance for All



##### Access

We aim to guarantee basic financial services for everyone, promoting access to the Banking system and payment accounts. We also seek to guarantee financial products in sparsely populated, or remote areas



##### Finance

Ensure financing for SMEs and entrepreneurs who have trouble obtaining credit, through microfinance and provide financing to cover the basic needs of low-income households



##### Resilience/Financial Education

We foster resilience through financial education, promoting skills and knowledge to support better informed financial decisions. Our programmes are diverse and target various groups

- 9 mn people financially empowered since 2019.
- In 2021 new microfinance programmes were launched in Peru, Colombia and Chile and are now available in 8 countries.

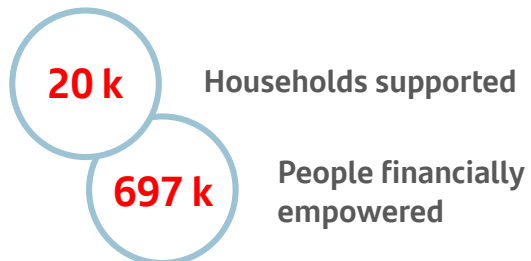
## Financial Inclusion, Empowerment & Community support

### Financial Inclusion & Empowerment - Key initiatives

We are proud to have developed financial inclusion initiatives that have been successfully implemented in the LATAM region



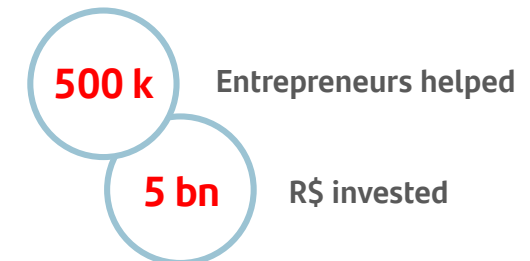
(Banking without a bank) Superdigital is Santander's flagship mobile platform for cash deposits, withdrawals and payments. It is available in Brazil, Mexico and Chile, fostering digitalization and better network coverage in Latin America to increase financial inclusion



Launched in 2017, Tuiio is a financial inclusion programme in Mexico for low-income households, designed to make a positive impact by offering competitive microloans, especially to support and develop businesses with the following figures as of 2021



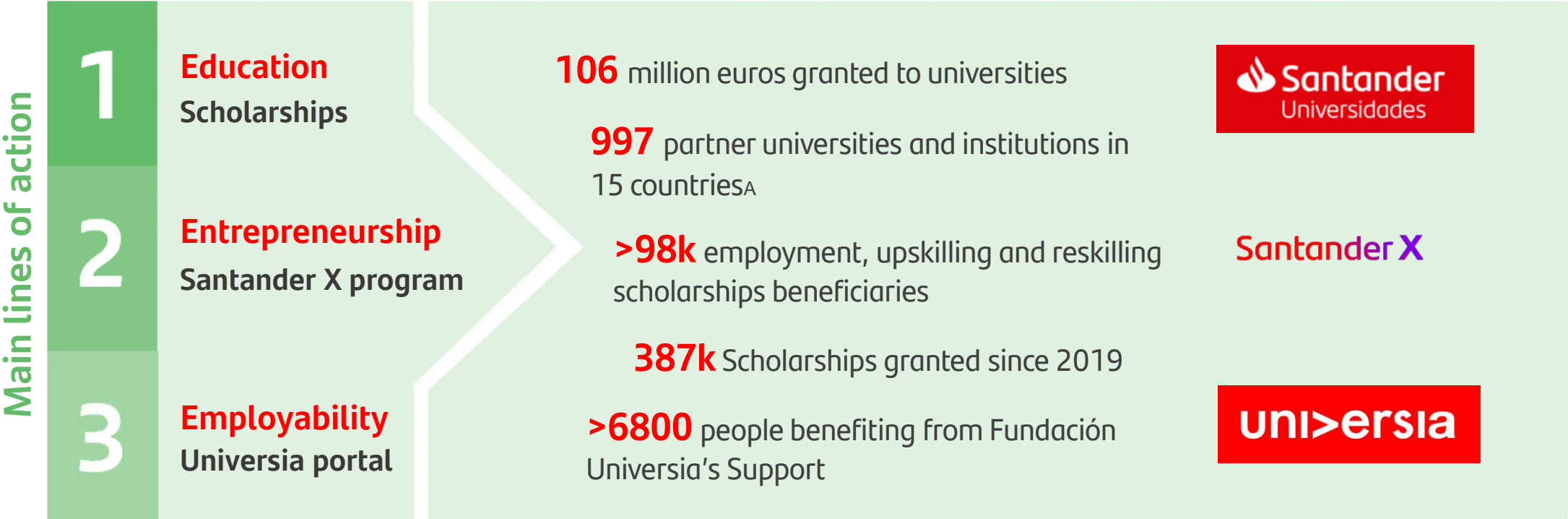
Prospera is the largest microfinance programme offered by a private bank in Brazil. Created in 2002, it helps people without access to formal banking. Since 2015 it has offered microloans and other products at social inclusion branches in Argentina, it was also launched in Uruguay in 2019, and in Colombia & Peru in 2021



Financial Inclusion, Empowerment & Community support

Community support - Higher Education

We believe education is the bedrock of financial inclusion and customer protection, that is why it sits at the core of our Responsible Banking agenda, and it is fostered through different initiatives



# Corporate Governance



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## Corporate Governance

### Our strengths

As a responsible bank we have a clear, robust governance. Best practices on governance are channelled to all our subsidiaries, as part of our global Governance Model



#### Effective engagement with our shareholders

- High participation in our General Shareholders' meetings

AGM quorum 2019	April 2020	October 2020	2021	2022
68.5%	65%	60.3%	67.7%	68.7%

- Commitment to **maximise the disclosure and quality of information**
- Our remote attendance electronic application enabled online participation in a virtual-only format for the 2021 AGM, the 2022 AGM was held in a hybrid format. Irrespective of the AGM format, our Shareholders were able to fully exercise all their rights, attend and participate in the meetings in real time
- Update of our policy on communication and engagement with shareholders and investors
- **Transparency and simplification of remuneration** with performance metrics aligned with shareholder interest and the Group's objectives



#### Effective board of directors

- **Majority of independent directors**
- **Balanced, qualified and diverse composition** in the boardroom
- **Separate and complementary roles** of Chairman and CEO, and leadership of our lead independent director

- **Strong committee** structure supporting the board
- **Good long-standing practices** in corporate governance embedded in our Board Regulations



#### Focus on responsible business practices and attention to all stakeholders interests

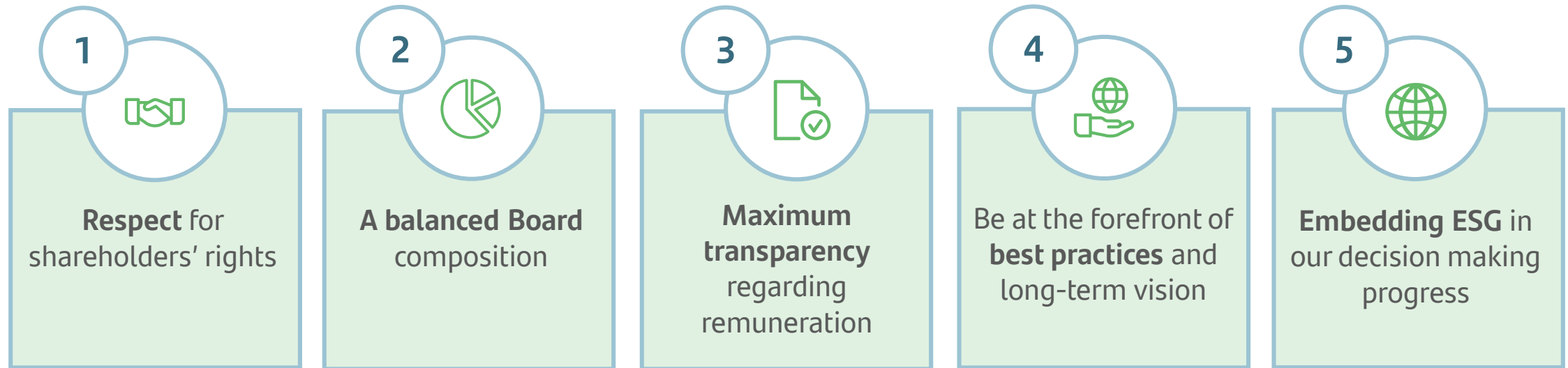
- **Publicly communicated responsible banking targets** in particular, in relation to climate change

- Thematic **responsible banking, sustainability and culture committee** in full coordination with the other committees

## Corporate Governance

### Our strengths

We strive to have a clear and robust governance with well-defined accountability and a prudent management of risks and opportunities to ensure:

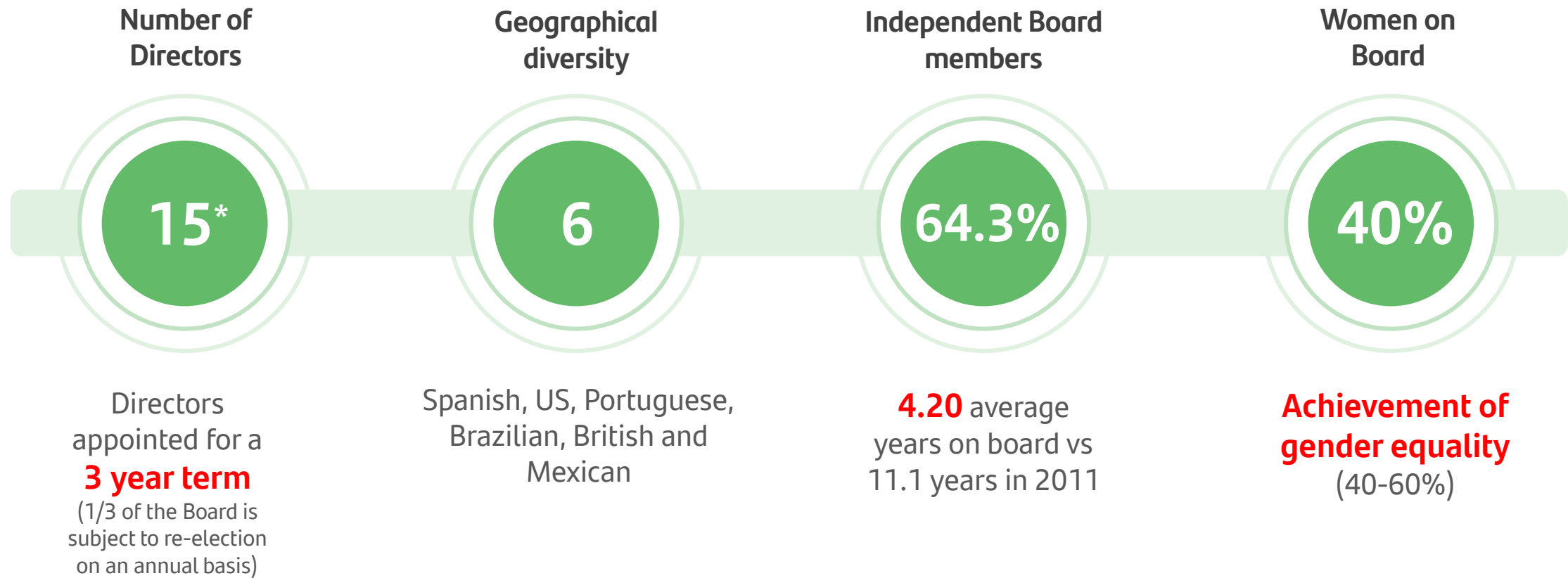


- ESG criteria included in the remuneration of all employees
- ESG training: Introduction to Sustainability / ESG course was launched, opened to all employees

## Corporate Governance

### Board composition

Our Board composition ensures an ongoing effective supervision supported by a well-balanced committee structure



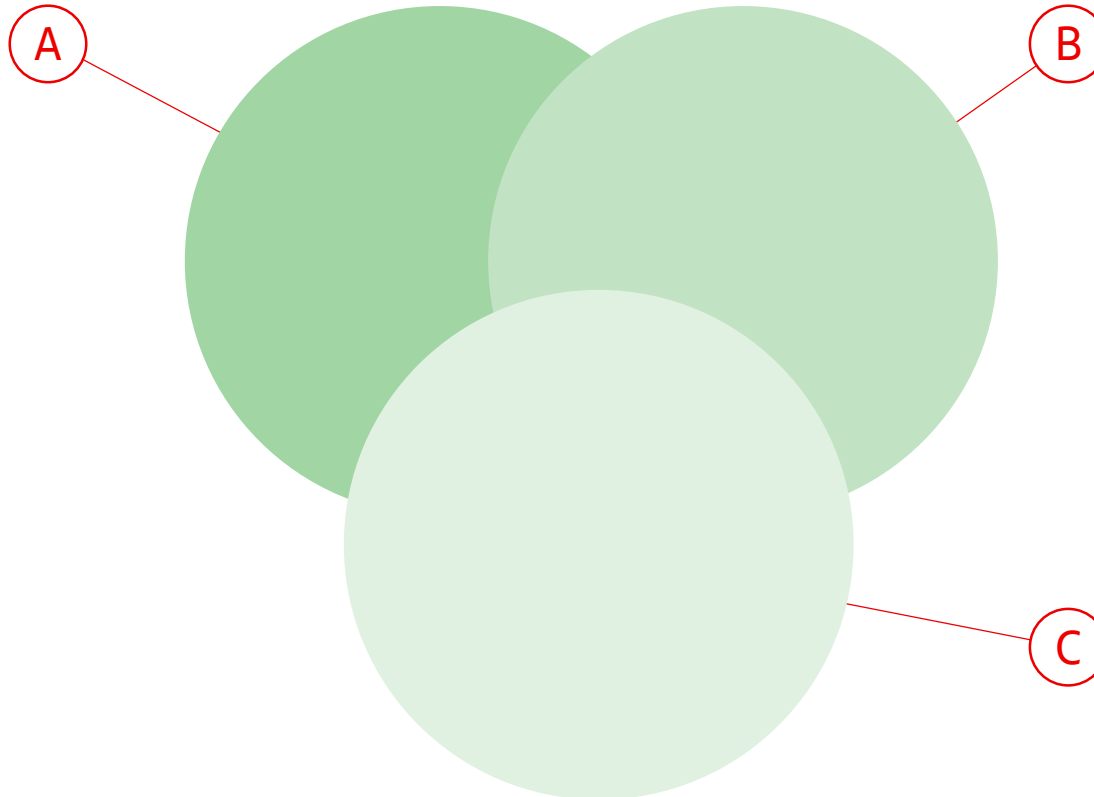
## Corporate Governance

### Executive variable remuneration

Annual bonus for executive directors subject to meeting financial and non-financial targets

#### Aligned with our strategic goals

- Annual bonus determined by both financial and non-financial metrics, with 70% of them being shareholder-related metrics, and 30% customer-related metrics. Performance is assessed both quantitatively and qualitatively to ensure financial results is as important as what financial results we achieve
- Long-term objectives related to consolidated Return on tangible Equity (RoTE), Total Shareholder Return (TSR) and Environmental, Social and Governance (ESG) metrics



#### Aligned with shareholder interests

- 50% of variable remuneration is in instruments (25% in shares and 25% in share options)
- Shareholding policy: maximum variable remuneration limited to 200% (over fixed remuneration)
- 60% of variable remuneration is deferred over a 5-year period, with share and share options based payments subject to a one year holding period after vesting

#### Aligned with regulatory requirements

- Including malus and clawback policy

# Corporate Governance Scorecard

Detailed quantitative metrics, qualitative assessment factors and weightings:

Category & weighting:	Quantitative metrics	Qualitative assessment
<b>Customers</b> (30%)	<b>NPS<sup>A</sup> and total customers and loyal customers</b>	<ul style="list-style-type: none"> <li>Customer conduct Risk. Measurement of additional customer satisfaction metrics, such as easy access to service or response time</li> </ul>
<b>Shareholders</b> (70%)	<div> <b>Return - RoTE: return on tangible equity<sup>B</sup> (30%)</b> </div> <hr/> <div> <b>RoRWA (Return on Risk Weighted Assets)(40%)<sup>B</sup></b> </div>	<ul style="list-style-type: none"> <li>CET 1 – Efficient capital adequacy management</li> <li>Appropriate management of operational risk, risk appetite and recorded breaches</li> <li>Sustainable and sound results and efficient cost management</li> <li>Suitability of business growth compared to the previous year view of market conditions and competition</li> <li>Annual progress on Responsible banking commitments (further information in our Annual Report)</li> </ul>

Corporate Governance

Long Term Incentives

Deferred variable pay subject to long-term incentives now including **5 ESG metrics**



Each of the five responsible banking commitments have the same weighting

# External engagement & Recognition



06

## External engagement & Recognition

### Partnerships & initiatives

We drive our responsible banking agenda through a number of local and international initiatives and working groups, which include among others:

**UNEP Finance initiative.** We are a founding signatory to the United Nations Principles for Responsible Banking and signed up to the Collective Commitment to Climate Action (CCCA) to transition the financial sector to a low-carbon economy faster. In 2020, we participated in Phase II of the UNEP FI project on the TCFD's recommendations for banks, reporting on the progress made to accelerate the adoption of low-carbon and climate-resilient technologies and business models in society

We joined the **Green Recovery Alliance** of the European Union and the Consultative Group of the Taskforce on Scaling Voluntary Carbon Markets

**World Business Council for Sustainable Development (WBCSD).** Our Group Executive Chairman, Ana Botín, sits on the WBCSD's executive committee. In 2020, we supported the Vision 2050 and Future of Work initiatives and signaled our intention to participate in the new Scaling Positive Agriculture project under the Food, Land & Water Program

**Equator Principles.** We analyse the environmental and social risks of our lending according to the Equator Principles and help draw up common criteria

**Banking Environment Initiative (BEI).** We continued to participate in the Bank 2030 initiative, aimed at building a roadmap for the banking industry to help society in the transition towards a low-carbon economy

**United Nations Global Compact.** We've been part of the Global Compact network since 2002. In 2020, we joined the United Nations Global Compact's gender equality programme. We also joined the Target Gender Equality (TGE) program, launched in 19 countries with the goal of increasing the number of women on company boards and in executive roles

Founding signatory of the **Net Zero Banking Alliance**, also Santander Asset Management is a member of the **Net Zero Asset Managers Initiative** (both under the umbrella of The Glasgow Financial Alliance for Net Zero - GFANZ). And member of the **United Nations Principles for Responsible Banking**

Santander participated in the **TNFD (Taskforce for Nature-related Financial Disclosures)** a project coordinated by Global Canopy and UNEP FI. The group has also joined the TNFD Forum.



GISD

Global Investors for  
Sustainable Development  
Alliance



wbcscd

## External engagement & Recognition

### Partnerships & initiatives

Our efforts on sustainability continue to be recognised globally, with different awards that endorse our commitment to tackle climate change, promote diversity and inclusion and support the interests of our employees and stakeholders



Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA



FTSE4Good

MOODY'S ESG Solutions

**Sustainability Award  
Silver Class 2021**  
**S&P Global**



First Ibex 35 Bank to have obtained the AENOR Good Governance Certificate. Some of the indicators evaluated are:

- Board composition & performance
- Board remuneration
- Transparency
- Anti-corruption & fraud
- Sustainability & Governance

**21 years in a row, featuring on the Dow Jones Sustainability World Index (DJSI World)**

Scored 86 points out of 100.

Banco Santander is part of the **FTSE4Good Index** since 2003. In June 2021, we obtained 4.5 points (out of 5), ranking two points above sector's average

We retained our 'advanced' classification in **Vigeo Index** obtaining 61 points, beating the industry average on environmental and corporate governance matters

Our performance was recognized by S&P Global's 2022 Sustainability Yearbook with an upgrade to Silver Class from Bronze.

For the 7<sup>th</sup> year we featured in the Bloomberg Gender Equality Index (BGEI) reaching 90.26, above from the industry average (72.69).

We are the highest ranked bank and the second company overall.

This is the first year the bank obtained the maximum score in the disclosure component and in Pro-Women Brand.

In Sustainalytics we improved from 27.1 to 23.9

ISS-ESG once again awarded us its Prime badge for companies with ESG performance above the sector-specific "Prime" threshold.

Our CDP score improved from B to A-, above Financial Services average.

MSCI also raised Santander's ranking considerably, from BBB to AA.

**Top Employers Europe 2021** for the 5<sup>th</sup> consecutive year and second employer in the world by the Top Employers Institute

**One of the 25 best companies to work for in the world** by Great Place to Work and as one of the Best Places to Work in Latin America

**Best bank for financial inclusion in 2022**

Euromoney recognized Santander as the World's Best Bank for Financial Inclusion for the second year in a row, recognizing Santander's programs in Latin America, Europe and the US, to financially empower individuals and entrepreneurs.

# Annexes



## ESG in Investor Relations

### Main contact details

**Begoña Morenés:** Global Head of Shareholders and Investor Relations  
([bmorenes@gruposantander.com](mailto:bmorenes@gruposantander.com))

**Fernando Donoso:** ESG ([fdonoso@gruposantander.com](mailto:fdonoso@gruposantander.com))

**Tosin Iduh:** ESG ([oiduhija@gruposantander.com](mailto:oiduhija@gruposantander.com))

## Transparency & Disclosure

### Reports and additional information

Please *click on the below images* to consult public details highlighted in this presentation

#### Climate Finance report



[www.santander.com](https://www.santander.com)

#### 2021 Annual report



#### Corporate Governance presentation



ESG strategy

Responsible Banking commitments

Responsible Banking commitments set in 2019 and achieved in 2021:

		2018	2019	2020	2021	2021 target	2025/ 2030 target
E	• Single use plastic free		75%	98%	100%	100%	
	• Electricity from renewable sources	43%	50%	57%	75%	60%	100%
S	• Top 10 Company to work for	4	5	6	6	6	
	• Scholarships, internships & entrepreneurship		69 k	225 k	>387 k	325 k	
	• People Helped		1.6 mn	4.0 mn	6.0 mn	4 mn	
G	• Women on the Board	33%	40%	40%	40%	40-60%	
	• Carbon neutral in our own operations			0			Every year

From...To

Cumulative target

Commitment Achieved

Note: H1'21 data not audited  
1: AuMs classified as Article 8 and 9 funds (SFDR) from SAM, plus third-party funds and other ESG products according to EU taxonomy from Private Banking. We apply equivalent ESG criteria to SAM's funds in Latin America  
Further information on the following link: [Our Approach](#)

# Green Finance

## Our local proposals



### Mexico

**Property developments**  
**Like U credit card:** that support environmental and social causes  
**Euromoney** magazine named Santander Mexico the Best Bank for Sustainable Finance and Best Bank for SMEs in Latin America  
**Global Finance** magazine named Santander Mexico a Leader in Sustainable Finance in Latin America



**Brazil**  
**Sustainable Business:** R\$ 51 billion reached through sustainable products for retail and wholesale customers

**Renovabio:** supported the creation of the first regulated carbon market in Brazil, named Renovabio and reached 65% market share

**Recycled Cards:** First pilot of recycled PVC card for selected customers



**Argentina**  
**Agreement with Enel X:** in the first partnership of its kind in Argentina, Santander finances the installation of solar panels and lithium batteries designed by Enel X

**Sustainable loans:** Special interest rates on financing projects that increase energy efficiency

**Sustainable finance protocol:** Signatory to the initiative alongside 20 other banks



**Chile**  
**Green loans:** Product to finance energy efficiency and home improvement  
**Carbon footprint programme** for customers to purchase carbon bonds or make charitable donations in order to offset their emissions  
**Measure what matters most:** SME support programme with B Impact Assessment that measures their environmental, social and economic footprint



**USA**  
**Plug-in hybrid electric vehicles:** Santander Consumer financed more than \$700 million in PHEV, nearly a ten-fold increase on 2020  
**Going Paperless:** Launched in 2021, this initiative to simplify and digitalize back-office and Branch processes cut paper waste by over 13% year on year



**UK**  
**Santander mortgages:** The first mortgages provided to launch Energyfact, a free, practical report that gives customers guidance on energy efficiency at home  
**Green deposit:** For businesses with revenue of at least £6.5 million  
**First global SFCS pilot:** CCB, Mortgage and SCUUK teams are using the SFCS to track green finance and set medium-term green finance targets



**Poland**  
**Wide range of leasing products for individuals and businesses:** Zero emission and hybrid vehicles, solar panels, and energy efficient machinery  
**Eco-cards:** 860,722 issued, making up 42.4% of all cards.  
**Eco loan:** We refund Customer fees on eco-friendly purchases  
**Sustainable debt:** the first sustainable debt securities in Poland of PLN 750 million, where the funds are used to finance or refinance green or social assets

**SCF Europe**  
**Surge in clean car volumes:** €3.4bn in EV (260% YoY and 9.2% green share) and €4.2bn in hybrid vehicle financing<sup>1</sup>  
**Switch to LPG engines:** Partnership with Repsol to finance LPG engine installation  
**Financing of charging stations:** New proposition to finance charging stations for our customers who own electric vehicles  
**Solar panels, "pellet" heating systems and boilers:** Financing low consumption, eco-friendly systems to aid customers energy transition

1. Not split for vehicles with emissions of less than 50 gr/CO2 yet. Platform to measure emissions under development



**Portugal**  
**Personal renewable energy loans:** Financing for renewable energy solutions, with a low spread of 2% and loan arrangement fee exemptions  
**Green mortgages:** Housing loans with a spread reduction for properties with an A and A+ energy rating  
**Auto solutions:** Car leasing campaigns with reduced spread for electric and hybrid vehicles  
**IFRRU 2020:** Loans for full building refurbishment at the most competitive cost in the market



**Spain**  
**Leading the way in SFCS implementation:** Pilot in retail Banking that helped set the path for implementing the SFCS in other markets  
**Agreement with Uber:** Strategic agreement to expand electrical commercial transport  
**Agreement with the Moves III Plan and Wallbox:** Wide range of sustainable vehicles and installation of subsidized charging stations  
**Plan Renove Agri:** Financing for new vehicles for the Agri segment to reduce CO2 emissions by up to 25%  
**POWER agreement:** Turnkey installation of private solar equipment  
**Green renovation loans:** Product with special terms and conditions to finance energy savings and renovations for efficiency

## Santander Climate strategy and commitments in four Pillars

### Group wide ambition to be Net Zero carbon emissions by 2050

Aligning our portfolio to meet the Paris agreement goals



**Align portfolios** to ensure the projected carbon emissions are in line **with limiting to a 1.5°C temperature** increasing accordance with NZBA & NZAMi

- Cutting exposure to thermal coal mining, and to customers with >10% of revenues coming from thermal coal power
- Reduce emissions intensity on the power generation, aviation and steel portfolios
- Reduce absolute emissions for the energy portfolio
- Halve net emissions for 50% of SAM AUMs in scope 3 by 2030

Supporting our customers in their green transition



Support our **customers transition to a low carbon economy**, offering 150 million of customers guidance, advice and investments and business solutions.

- Green Finance: €120 bn 2019- 2025 (in total €220 bn 2019 – 2030).
- Sustainable investment (AUM under ESG): 100 €bn by 2025 (new)
- SFCS<sup>1</sup>, key tool to comply with GAR, disclosed

Reducing our environmental impact



**Remain carbon neutral** and **source electricity from renewable energy by 2025** to reduce our impact on the environment

- Carbon Neutral in our own operations (since 2020)
- Electricity used from renewables sources: 100% by 2025

Embedding climate into risk management

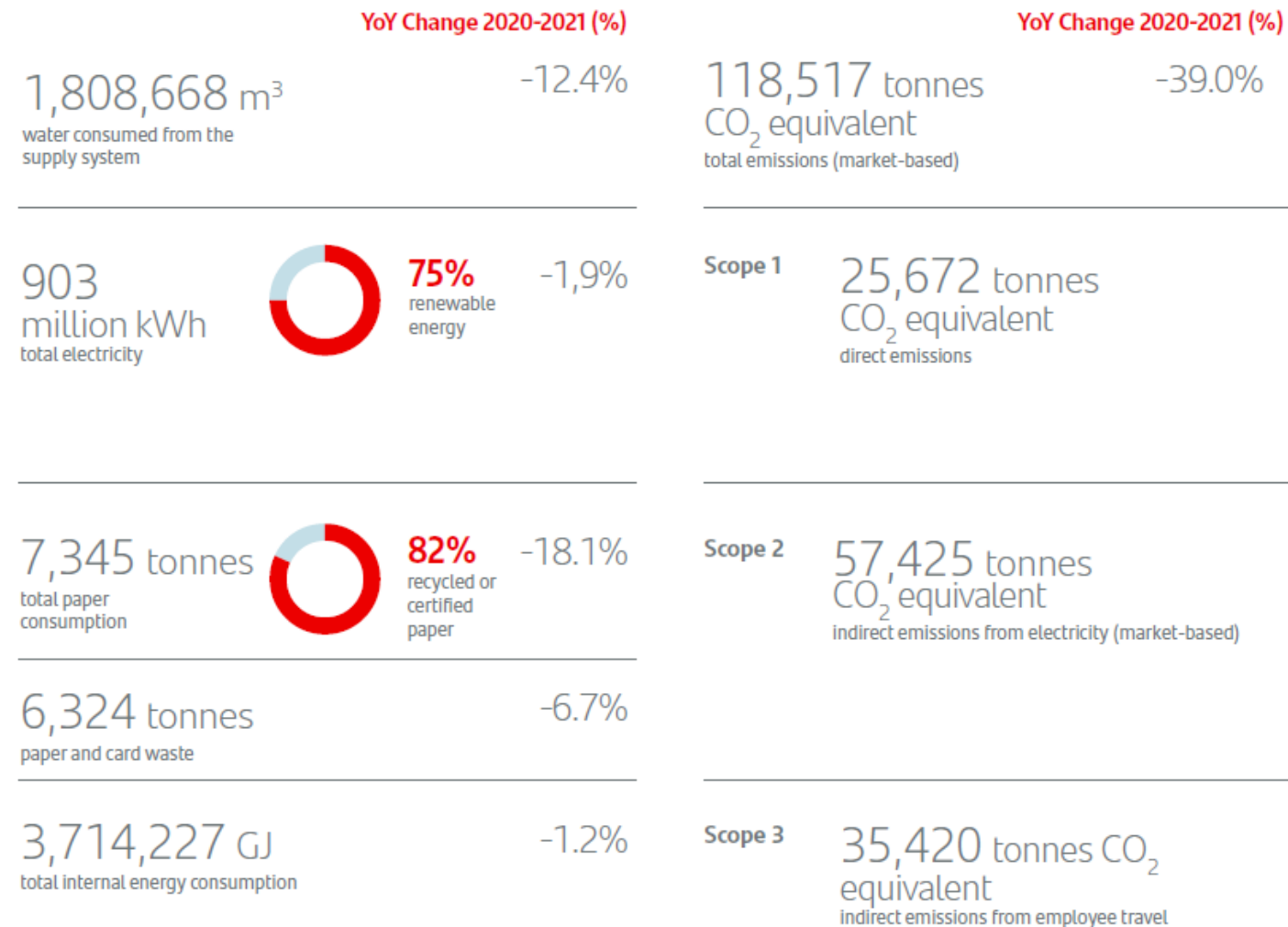


Ensure adherence to **regulatory/supervisory** expectations & integrate climate considerations into **risk management frameworks**

**TCFD: assessing and reporting Financed emissions of our portfolios**

Environmental footprint

Ensuring we have the lowest possible impact on the environment



## Decarbonization Targets

### Current exposure

We have enhanced the materiality assessment with scenario analysis to calculate quantitative heatmaps

December 2021: EUR Billions

	TR	PR	SCIB	Other segments
Power (Conventional)	Very High	Moderately low	24	2
of which, power generation clients with more than 10% of revenues coming from coal	Very High	Moderately low	3	0
Power (Renewables Project Finance)	Moderately low	Moderately low	11	0
Oil & Gas	Very High	Moderately low	19	0
Mining & Metals	High	Moderately low	9	2
of which coal mining	High	Moderately low	4	0
Transport	High	Moderately low	27	96
Real Estate	Low	Medium	6	370
Agriculture	Medium	Medium	2	4
Other Climate-related sectors	Medium	Moderately low	20	7
Construction	Medium	Moderately low	35	14
Manufacturing	Medium	Moderately low	2	1
Water Supply	Medium	Moderately low		
<b>Total Climate Sectors</b>			<b>156</b>	<b>496</b>
Other sectors	Moderately low	Moderately low	61	182
<b>Total</b>			<b>218</b>	<b>678</b>

■ Low 
 ■ Moderately low 
 ■ Medium 
 ■ High 
 ■ Very High

We have already used qualitative and quantitative heatmap information to recognize the best positioned customers and portfolios and how strategical risk is evolving, and to monitor, measure and develop new metrics for risk Management, Credit policies and Business strategy



TR: Transition Risk / PR: Physical Risk  
 SCIB : REC (on and off balance sheet lending + guarantees + derivatives PFE); other segments: Drawn amount  
 Other Sectors: SCIB and Corporate NACES outside of risk taxonomy perimeter // Individuals and SCF: Cards and Other Consumer  
 Other segments include individuals, SCF, Corporates and Institutions  
 0 exposure amounts to exposures below EUR 500 mn

**Our ESG strategy**  
**Local efforts**

**EUROPE**



**Environmental**

**Social**

**Governance**



EUR 170 mn in Green Finance since 2019 & 100% renewable energy consumption

272 k people financially empowered since 2019 & 53.2 k scholarships granted since 2019

ESG criteria considered when considering remuneration with a 20% women representation on the Board



-45% carbon emissions in 2020 & participation in the issuance of EUR 750 mn green hybrid debt from EDP

312 k people financially empowered since 2019, and 1,043 scholarships granted in Q1'21

Familiarly Responsible Company: Degree of excellence in the EFR certificate  
  
43% of women on the Board



1<sup>st</sup> ESG-linked loan & 1<sup>st</sup>SDG-linked bond in Poland and PLN 15,487 mn in Green Finance since 2019

35.9% women in Leadership positions, Top Employer Certificate and 76,935 people financially empowered since 2019

40% women in Supervisory Board and ESG indicator as part of the process of evaluating products and services



1<sup>st</sup> Top UK lender for renewables in 2020; aligning to Paris targets with 2<sup>nd</sup> TCFD disclosure

10,250 scholarships granted in 2020 >500 k financially empowered people since 2019 and 120 k participants in our 2020 numeracy initiative

Taking ESG criteria into account when determining remuneration. Two in-depth Board trainings held in 2020 on sustainability and climate



## Environmental

## Social

## Governance



Helping the Amazon region BRL 50 mn credit line for cooperatives and agribusiness enterprises in the Amazônia

Prospera microfinance initiative 580K customers and BRL 1.4 bn loan portfolio and 31 k scholarships granted since 2019

>70% Independent directors and 33% of women on Board



EUR 7.9 bn in Green finance since 2019; EU 298 mn Social Women SME Bonds issued

Top 1 company to work for; 200K financially empowered people since 2019 and 4.1 k scholarships granted since 2019

>64% of Independent Directors; ESG criteria is taken into account when determining remuneration



Participated in the placement of the 1<sup>st</sup> local bond issuance with green and social certification

Top 3 Company to work for and >EUR 150 k invested in university programmes scholarships

33% Independent Directors; and 25% of women on Board



Environmental

Social

Governance



Financial Advisor on the issuance of 2 bonds in 2022. First ESG Linked Loan. 1st loan linked to sustainability KPIs in Mexico



USD 1.9 bn of renewable projects financed in 2021

1.3 mn people financially empowered since 2019; 425 k beneficiaries from financial education programs in 2021

440 k financially empowered people since 2019 as part of USD 13 bn 5-year Inclusive Communities Plan investment.

68% of Independent Directors and 36.4% women on the board

58% Independent directors with strong governance embedded to deliver on ESG

# Thank You.

Our purpose is to help people and businesses prosper.

Our culture is based on believing that everything we do should be:

**Simple Personal Fair**

