

Q1 2023

**ESG**

# Towards a more sustainable world





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01

ESG strategy

## What makes us different

### Financial Inclusion

Awarded Best Bank for Financial Inclusion in 2022 by Euromoney

### Decarbonization

Net-zero decarbonization targets as founding members of the NZBA



### Green Finance

#1 worldwide Bank in<sup>1</sup> financing Renewable Energy

### Governance

Best practices and robust board composition

# ESG strategy | Our approach

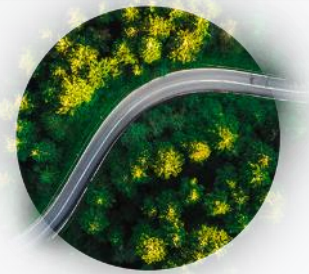


As a responsible bank we place **sustainability at the centre of our core activities** to deliver on our purpose of helping people & business prosper



## 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: Focus on most material items

Ambition	Goals	Priority action plans	SDG's
<p><b>Support the transition to a low carbon economy</b></p>	<p>Deliver our <b>Net zero</b> ambition by 2050</p>	<ul style="list-style-type: none"> <li>» <b>Set targets</b> in our portfolios to align with pathways to <b>net zero</b>, while taking into consideration other environmental goals as Nature</li> <li>» Support <b>customers in their transition</b>, <b>engaging</b> with them and developing a best-in-class <b>sustainable finance</b> and <b>investment</b> proposition</li> </ul>	
<p><b>Promote inclusive growth</b></p>	<p>Support <b>productive inclusion</b> across our <b>main stakeholders</b>: employees, customers and communities</p>	<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>	
<p><b>Strong governance and culture across the organization</b></p>	<p>Incorporate <b>ESG</b> in behaviors, policies, processes and governance throughout the Group</p>	<ul style="list-style-type: none"> <li>» Consistent <b>tone from the top</b> to drive <b>cultural change</b> and <b>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>	

# ESG strategy | Our journey



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

- » Signed the Equator Principles
- » Approved 1st sectorial policies

2009

- » Started managing our environmental footprint

2011

- » TCFD Endorsement

2017

- » Top Risk exercise began covering Climate Risk
- » Creation of The Responsible Banking Board Committee & Responsible Banking corporate team & network
- » Creation of ESG Wealth Management team, ESG Risk team

2018

- » Responsible Banking Commitments under each sustainability theme
- » Joined UN Collective Commitment to Climate Action
- » Global Sustainable Bonds Framework creation
- » Founding members of the Principles for Responsible Banking
- » SCIB global ESG Solutions team creation

2019

- » Became carbon neutral in our own operations
- » Pledged to reduce our carbon footprint focusing on the most material sectors to climate risk
- » Creation of a dedicated ESG within Investor relations

2020

- » Set an ambition to be net zero by 2050 and became Founding Member of the Net Zero Banking Alliance
- » Development of internal Taxonomy – Sustainable Finance Classification System (SFCS)
- » Creation of an ESG dedicated Investor Relations team

2021

- » Creation of a Global Green Finance Team and Risk team reporting directly to the CRO
- » Publication of our Green, Social and Sustainability Funding Global Framework
- » We continued to embed climate management in business as usual across SCIB units and Risks

2022

# ESG strategy | Responsible Banking ambition

→ From...to... Accumulated ✔ Target achieved

We have set targets in those areas where we have the greatest potential impact. Thanks to the progress we have made towards some of the targets we set in 2019, we are considering revising our ambition in a few of them.

	2018	2019	2020	2021	2022	Q1 2023	2025/2030 target
Green finance raised and facilitated (€bn)		19	33.8	65.7	94.5	96.2	120 bn by 2025/ 220 bn by 2030
SRI AuMs (€bn)				27	53	58.1 →	100 bn by 2025
Financially empowered people/Financial inclusion		2 mn	5 mn	7 mn	✔ 11.8 mn	12.2 mn	+5 mn <sup>1</sup> (2023-25)
Women in senior positions	20%	23%	23.7%	26.3%	29.3%	→	35% by 2025
Equal pay gap	3%	2%	2%	1%	1%	→	~0% by 2025
Thermal coal related power & mining phase out (€bn)				7	6	→	0 by 2030
Emission intensity of power generation portfolio		0.21	0.17	→			0.11 tCO <sub>2</sub> e / MWh in 2030
Absolute emissions of energy (oil & gas) portfolio		23.84	→				16.98 mtCO <sub>2</sub> e in 2030
Emissions intensity of aviation portfolio		92.47	→				61.71 grCO <sub>2</sub> e / RPK in 2030
Emissions intensity of steel portfolio		1.58	→				1.07 tCO <sub>2</sub> e / tCS in 2030
Electricity from renewable sources	43%	50%	57%	75%	88%	→	100%

While we also continue to:

- ✔ Have a board of directors made up of 40-60% women
- ✔ Not provide single use plastics in our buildings and offices
- ✔ Be carbon neutral in our own operations



# ESG strategy | Our achievements

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



**12,2 mn**

People financially empowered since 2019



**#1 bank worldwide**

by number of deals in renewable project finance <sup>1</sup>



**€96,2 mn**

of Green Finance mobilized since 2019



**3 Green bonds**

issued since 2019 for an amount of EUR 1 bn each



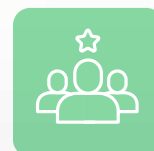
**>€950 mn**

in microcredits provided within LATAM during 2022



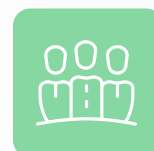
**88%**

of electricity used from renewable resources already



**€4.8 bn**

in the financing of electric vehicles under our consumer businesses



**>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"



**Héctor Grisi Checa**  
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 "

# ESG strategy | Main challenges



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

Different drivers	Challenges	Initiatives
 Paris Agreement	Decarbonization: Working to hold a 1.5 °C scenario <b>02</b>	 <ul style="list-style-type: none"><li>› Internal Policies and corporate culture</li><li>› External engagement</li><li>› Green value proposition</li><li>› Supporting clients in the transition</li><li>› Financial inclusion</li><li>› Risk management</li><li>› Portfolio alignment</li><li>› Board's alignment contribution</li></ul>
 EU Taxonomy	Fostering sustainable activities (green finance) <b>03</b>	
 UN Sustainable Development Goals	Tackling global challenges to support inclusive growth <b>04</b>	
 TCFD	Increase transparency and efficiency through governance <b>05</b>	





02

Decarbonization  
ambition

# Decarbonization Targets | Our 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 continue progressing towards our net zero ambition.



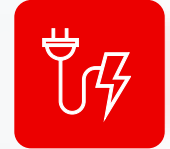
Align our portfolios to the **Paris Agreement** while delivering on our decarbonization targets and setting new ones



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



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 published last year in the following sectors:** energy, aviation and steel, you can check the full details in our [Climate Finance Report](#)





Our Environmental, Social and Climate Change (ESCC) risk management policy sets out standards for investing in, and providing financial products and services to, companies and customers engaging in sensitive activities 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 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

Note: Policy updated on February 2022

1. FSC: Forest Stewardship Certification

2. RSPO: Round Table on Sustainable Palm Oil

# Decarbonization ambition | Fossil fuel financed



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

Source: The Banking on Climate Chaos: Fossil Fuel Finance Report 2022  
Data as of 2021

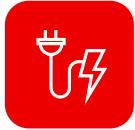
## Ranking by fossil fuels financed

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>








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

# Decarbonization ambition | New targets



We have set new decarbonization targets according to our internal roadmap from last year's Climate Finance Report. They focus on the most carbon intensive and material sectors. **These new targets have been set for 2030 against 2019, for the energy (oil & gas), aviation and steel sectors.**

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 (Oil &amp; Gas)</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/tS	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>				



# Decarbonization ambition | Examples of some Country and Unit efforts

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

### Wealth Management road to Net Zero

#### 01 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>

#### 02 EUR 100 bn in Socially responsible investments 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

- » Participation in key investors climate initiatives
- » Collaboration as a tool for driving change
- » Engagement plan in our core markets with a focus on SME's
- » Polluting Sectors strategy, phasing-out coal exposure and focusing on key material sectors
- » Portfolio construction evolution, towards Net Zero
- » Facilitation of investment in climate solutions
- » 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



# 03

## Financing the green transition

## Green Finance | Our global reach

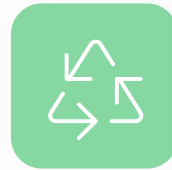
Finance is a key enabler of the transition towards a low-carbon economy. We are contributing to a more sustainable economy by managing climate-related risks and opportunities, building a comprehensive sustainable and green finance proposition. We are currently working on:



Raising and mobilizing EUR 120 bn in green finance by 2025 and EUR 220 bn by 2030



Developing a green value proposition and ESG investment solutions for our clients



Progress with ESG bonds issuance, EUR 3 bn since 2019






Engaging in global initiatives like the Net zero Banking Alliance where we are a founding member



# Green Finance | Our global reach

The greenfield renewable energy projects we financed or advised on in 2022 have a total installed capacity of 15.6 GW and prevent the emission of 152 million tons of CO<sub>2</sub><sup>A</sup>. We also helped expand, enhance and sustain renewable energy brownfield projects with a total installed capacity of 14.8 GW

## Breakdown of Financed MW by type of Renewable Energy

	2021	2022	
 Wind energy	58% 46%	21% 45%	Greenfield Brownfield
 Solar energy	39% 64%	77% 33%	
 Others (*)	3% 21%	2% 22%	

The renewable energy projects we financed or advised on in 2022 could power 10.1 million households per year.<sup>B</sup>

### Greenfield Finance<sup>C</sup> (MW financed)

(Total installed GW financed or advised)<sup>D</sup>

15.6

2022

### Brown field Finance<sup>C</sup> (MW financed)

(Total installed GW financed or advised)<sup>D</sup>

14.8

2022



# 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 2012-22

Rank	Mandated Arranger	Vol. (€m)	Nº
1	Santander	38,153	663
2	Mitsubishi UFJ	35,133	539
3	Sumitomo	31,343	510
4	Société Generale	19,810	349
5	Natixis (Groupe BPCE)	19,361	330
6	Crédit Agricole	18,984	327
7	Norddeutsche Landesbank	14,070	317
8	BNP Paribas	18,585	301
9	ING Group	15,562	298
10	Rabobank Group	13,774	288

Europe & Americas Energy Project Finance Volume and Transactions by MLA FY 2012-22














Rank	Mandated Arranger	Vol. (€m)	Nº
1	Santander	37,800	660
2	Mitsubishi UFJ	27,650	405
3	Sumitomo	21,566	326
4	Natixis (Groupe BPCE)	17,398	299
5	Crédit Agricole	17,089	296
6	Norddeutsche Landesbank	13,009	292
7	Société Generale	16,113	274
8	Rabobank Group	13,135	273
9	BNP Paribas	16,382	252
10	ING Group	13,250	250

# 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 strengthening our sustainable finance proposition with **dedicated purpose and sustainability-linked financing using the SFCS as a key enabler in this process**

In 2022 we updated the SFCS, beyond green activity, we are also working to identify transition activities to support our customers and contribute to our net zero objective

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

	 <b>What we finance</b>	 <b>Our customers needs...</b>	 <b>Key geographies</b>
 <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

**309,413 Electric + Hybrid cars financed: €9,6 bn**

**(42,5% of New Business) of which >154,000 Electrics representing 21.2% of new business and €4,8 bn of financing**

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

**Consumer (non-auto) business already green:**

- » Solar Panels
- » Green heating systems
- » Chargers
- » Bikes & e-bikes
- » Eco card
- » Green fashion
- » Social Education
- » Retrofit



## 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 Brazilian Amazon

We believe protecting the Amazon rainforest is key to tackle climate change. 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 to formally incorporate a sustainability rating into the credit score of our corporate clients.

Collective action is critical to enable a sustainable transition in the beef sector. Febraban announced in May 2023 the approval of a new voluntary standard ([NORMATIVO SARB 026/2023](#)) that reflects the alignment amongst 21 banks towards financing beef processing clients. As such, we are currently refining our implementation framework to support this unprecedented move by the Brazilian Financial sector.

## Actions taken:

- » Loan requests by farmers & ranchers are checked for embargoes related to illegal deforestation
- » 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)



- » 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 region, 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



A woman wearing a vibrant yellow sari with large blue and pink floral patterns is seated at a market stall. She is surrounded by various fresh produce: large baskets of small, light-brown potatoes, several bright red tomatoes, and a basket of purple onions. In the background, there are green and orange plastic crates, some containing more produce. A white square is visible on the woman's sari. The scene is set outdoors on a dirt ground.

# 04

Financial Inclusion,  
Empowerment &  
Community support

# 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

**12,2 mn**

People financially empowered since 2019, exceeding our 10 mn target before 2025

**950 mn**

Total credit disbursed to microentrepreneurs<sup>1</sup>

**63 mn**

Invested in community support programmes<sup>1</sup>

**100 mn**

Invested to support higher education<sup>1</sup>



# 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. **Santander Finance for All** is our initiative to support financial inclusion and empowerment. We financially empower people in three ways:

### Santander Finance for All



#### Access

We help people access and use basic financial services through simple payment platforms and cash in/cash out services in remote and small communities



#### Finance

We provide tailored finance to individuals and SMEs with difficulty accessing credit or that are in financial distress



#### Financial Education

We help people gain financial knowledge, making economic concepts more understandable and enabling them to make better financial decisions

# 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



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 in Colombia & Peru in 2021, and with the following figures as of December 2022

**>718 mn**

€ of funding disbursed

**>1.1 mn**

Microentrepreneurs helped

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 December 2022

**>138 mn**

€ of funding disbursed

**>300 k**

Microentrepreneurs helped



# 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

### Main lines of action

1

**Education  
Scholarships**



**100**

million euros  
granted to universities

**1,306**

Partner universities and  
institutions in 25 countries<sup>A</sup>

2

**Entrepreneurship  
Santander X program**

**Santander X**

Support emerging ventures through specialized training and connections to the resources they need to grow and prosper

3

**Employability  
Universia portal**

**uni>ersia**

**>266 k**

beneficiaries, scholarships,  
internships and entrepreneurial  
programs in 2022

**6,352**

people benefiting from Fundación  
Universia's Support



# 05

## Corporate Governance



# 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%	<b>68.7%</b>



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



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

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

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



**Respect** for  
shareholders' rights



**A balanced Board**  
composition



**Maximum transparency**  
regarding remuneration



Be at the forefront  
of **best practices** and  
long-term vision



**Embedding ESG** in  
our decision-making  
progress



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

## Number of Directors

15

Directors appointed for a **3-year term** (1/3 of the Board is subject to re-election on an annual basis)

## Geographical diversity

6

Spanish, US, Portuguese, Brazilian, British and Mexican

## Independent Board members

66,6%

4.05 average years on board vs 11.1 years in 2011

## Women on Board

40%

Achievement of gender equality (40-60%)

## 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 | ESG in Reward

LTI

## Weights

RoTE 40%

RTSR 40%

ESG 20%

## Equally weighted ESG action lines included

### 2022-2024

Women in senior positions

Financially empowered people

Green finance mobilized

Setting decarbonisation targets

Emission intensity in Power Generation

### 2023-2025

Women in senior positions

Financial inclusion

Green finance mobilized and Socially Responsible Investments

Thermal coal-related power & mining phase out

Short term Scorecard 2023

### Quantitative 100%

Transformation 45%

Capital generation 30%

Sustainable Profitability (RoTE) 25%

x

**A relative performance multiplier versus market** which will multiply by **0.7 to 1.3** the result of the quantitative metrics based on performance versus top peers in each market on metrics as: NIM, C/I, CoR, NPLs, NPS and Net Margin after provisions

+

### Qualitative ±25%

Network Collaboration ±10%

Risk ±5%

Compliance ±5%

ESG ±5%

# 06

External  
engagement  
& Recognition



NASDAQ Welcomes Santander  
to the sustainable bond network





# 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 Botin, 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.



Global Investors for Sustainable Development Alliance



# External engagement & Recognition | ESG Ratings

Rating Agcy.	2022	2021	Evol.
 MSCI	MSCI index AA	MSCI index AA	=
 SUSTAINALYTICS *	22.4	23.9	▲
 CDP	A	A -	▲
 Member of Dow Jones Sustainability Indices <small>Powered by the S&amp;P Global CSA</small>	World & Europe index 83	World & Europe index 86	=
 ISS ESG	C (55.6)	C (51.8)	=
 MOODY'S ESG Solutions	61 (Advanced)	61 (Advanced)	=
 FTSE4Good	FTSE4Good Index 4.2	FTSE4Good Index 4.5	=
 Bloomberg	92.87	90.26	▲
 WDi	92	89	▲

We engage with ESG ratings to signal our progress and keep improving with their feedback

## Highlights in 2022

- » We maintained our positioning on the **MSCI World Index**. And we've consecutively featured in the **S&P DJSI World and Europe indices** since 2002 and in the **FTSE4Good** since 2003
- » **CDP**. We were placed in the highest score band (Climate Change A List - Leadership level), improving on governance, risk disclosure, targets and portfolio impact
- » **Sustainalytics**. We improved to 22.4 points, maintaining on "medium risk", improving on business ethics, ESG integration, data privacy and human capital
- » **ESG Corporate Rating by ISS**. We improved to 55.6 points, maintaining the ESG performance on "C", above the sector specific "Prime" threshold
- » **Bloomberg Gender Equality Index (BGEI)**. We improved to 92.87 points, above the financial sector average (74.11). Highest ranked among banks and second company overall



# Annexes

# ESG in Investor Relations | Main contact details

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Global Head of Investor Relations

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**Tosin Iduh** 

ESG & Market Intelligence

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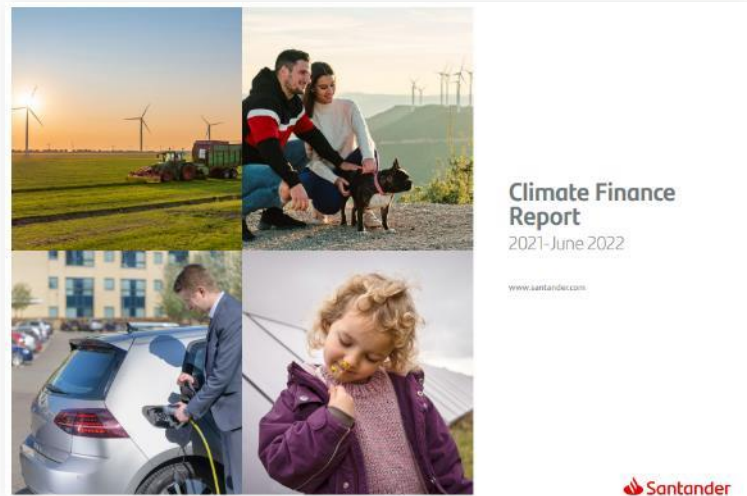
 [oiduhija@gruposantander.com](mailto:oiduhija@gruposantander.com)



# Transparency & Disclosure | Reports and additional information

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

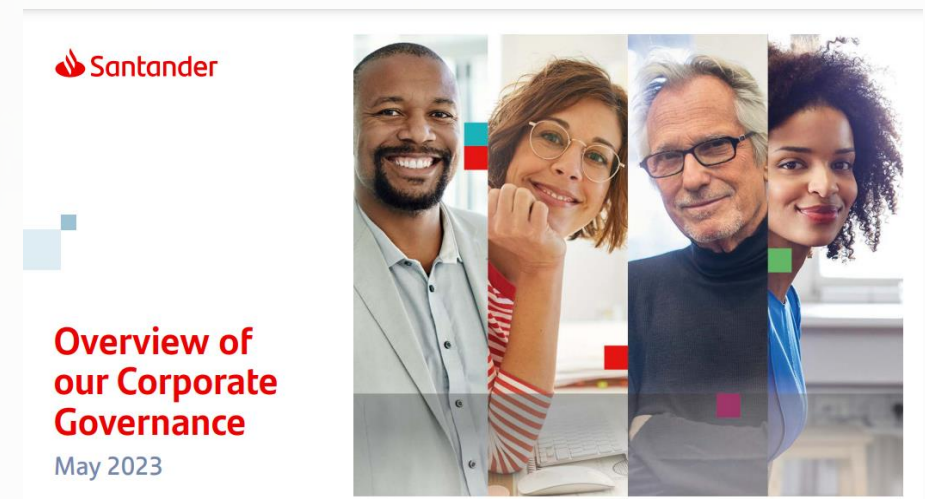
## Climate Finance report



## 2022 Annual report



## Corporate Governance presentation



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

## 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

YoY Change 2020-2021 (%)

YoY Change 2020-2021 (%)

**1,808,668 m<sup>3</sup>**

Water consumed from the supply system

-12.4%

**903 million kWh**

total electricity



**75%**  
Renewable energy

-1.9%

**7,345 tonnes**

total paper consumption



**82%**  
Recycled or certified paper

-18.1%

**6,324 tonnes**

Paper and card waste

-6.7%

**3,714,227 GJ**

total internal energy consumption

-1.2%

**118,517 tonnes**

CO<sub>2</sub> equivalent

total emissions (market-based)

-39.0%

Scope 1

**25,672 tonnes**

CO<sub>2</sub> equivalent

direct emissions

Scope 2

**57,425 tonnes**

CO<sub>2</sub> equivalent

indirect emissions from electricity (market-based)

Scope 3

**35,420 tonnes**

CO<sub>2</sub> equivalent

direct emissions from employee travel

# Decarbonization Targets | Current exposure

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

December 2022: EUR Billions

	TR	PR	SCIB	Other segments
Power (Conventional)	■	■	27	2
of which, power generation clients with more than 10% of revenues coming from coal	■	■	4	0
Power (Renewables Project Finance)	■	■	11	0
Oil & Gas	■	■	25	1
Mining & Metals	■	■	15	8
of which coal mining	■	■	3	0
Transport	■	■	30	105
Real Estate	■	■	8	398
Agriculture	■	■	3	8
Other Climate-related sectors				
Construction	■	■	18	14
Manufacturing	■	■	50	29
Water Supply	■	■	3	1
<b>Total Climate Sectors</b>			<b>190</b>	<b>566</b>
Other sectors			55	224
<b>Total</b>			<b>245</b>	<b>790</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



# 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**

