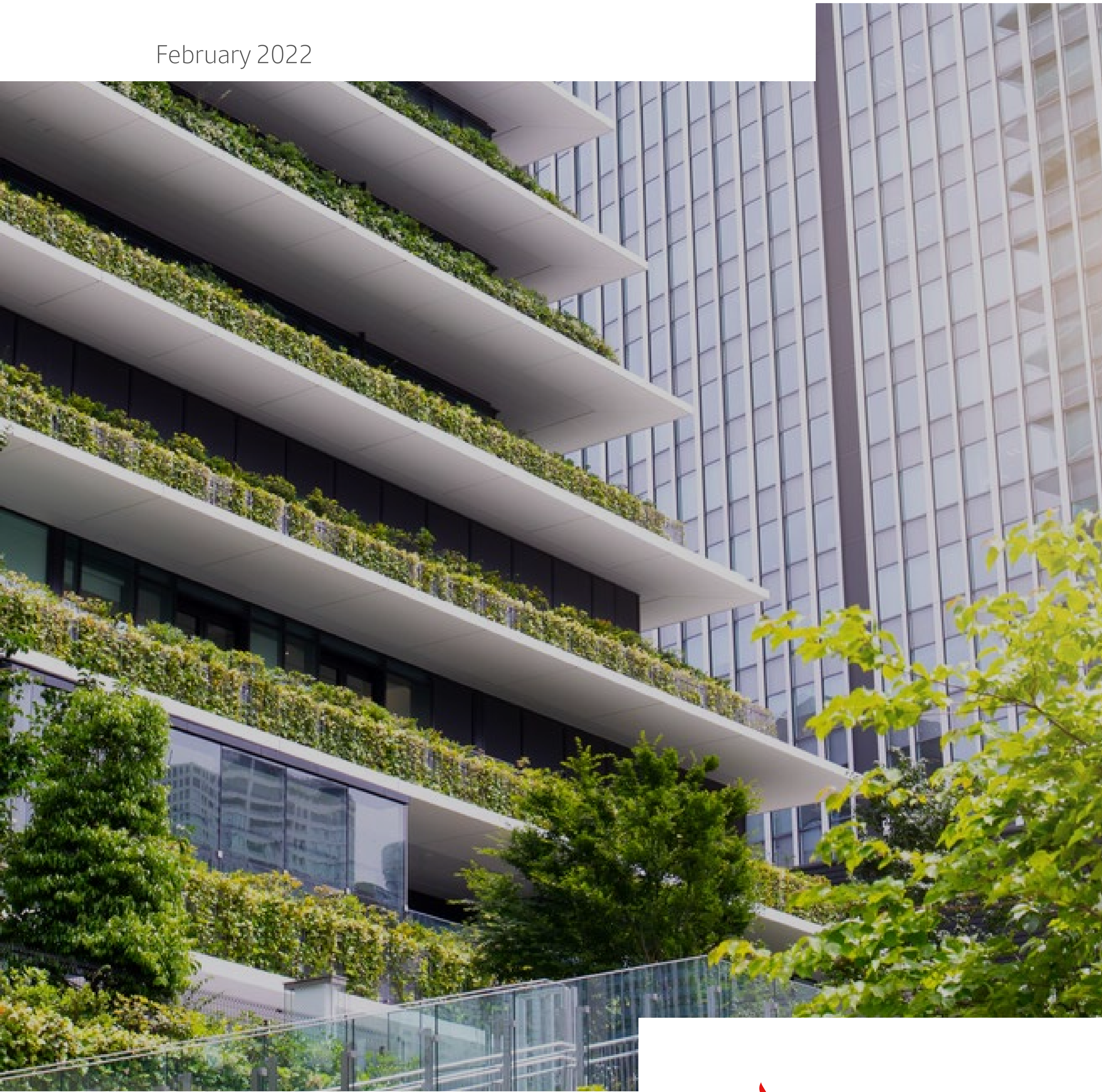
Sustainable Finance Classification System (SFCS)

February 2022



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1. Banco Santander's sustainability approach

Banco Santander's ("Santander") purpose is to help people and businesses prosper. It is focused on promoting inclusive and sustainable growth and aiding the transition to a low-carbon economy. To support the goals of the Paris Agreement on climate change, Santander has pledged to become net zero in carbon emissions across its group by 2050; this objective applies to group-wide operations (which have been net zero since 2020) and to customers' emissions stemming from Santander's lending, advisory or investment services. Santander is also a founding member of the Net Zero Banking Alliance (NZBA), convened by the United Nations Environment Programme Finance Initiative (UNEPFI) in connection with the Glasgow Financial Alliance for Net Zero (GFANZ), chaired by Mark Carney.

Santander has committed to setting intermediate targets for priority greenhouse gas (GHG)-intensive and GHG-emitting sectors to be achieved by 2030 (or sooner). Santander is certain that it can support its customers by aiding their transition to a low-carbon economy. It aims to raise or help mobilize 120 billion euros between 2019 and 2025; and 220 billion euros between 2019 and 2030 in green finance to tackle climate change. Santander is also intent on playing a major role in promoting inclusive growth that meets customers' needs; help people start businesses and create jobs; promote financial empowerment; and help people get the education they need.

Santander's operations and investments address many of the United Nations' Sustainable Development Goals and are considerate of social and environmental risks and rewards, helping sustain the balance between the economy and society.

2. Sustainable Finance Classification System (SFCS)

2.1. Introduction

Santander's *Sustainable Finance Classification System* ("SFCS") lays down the methodology for categorizing, tracking and reporting on sustainable financial products and services. It provides the scope, assessment parameters and standards, environmental and social due diligence requirements and verification approach. It is also designed to serve as a reference for creating sustainable finance products and services for customers[1].

The SFCS draws upon international industry guidelines and principles, such as ICMA's[2] Social and Green Bond Principles, the Climate Bond Standards and the EU Taxonomy[3]. It has been reviewed by Sustainalytics to ensure it is consistent with market practice as of the date above. Sustainalytics, a Morningstar company, is a leading global provider of ESG and corporate governance research, ratings and analytics. It has extensive experience in helping financial institutions develop eligibility standards and in providing second-party opinions on sustainability bonds and funds.

2.2. Scope

The SFCS covers (but is not limited to) the following financial products, investments and services offered by Santander:

- Lending (e.g., corporate, project finance, asset-based retail and consumer credit)
- Capital market instruments (e.g. bonds)
- Strategic advisory
- Trade finance (e.g. export finance, supply chain finance, guarantees, deposits)

- Investment solutions

It applies to Grupo Santander's business units and geographies[4].

3. Eligibility

3.1. Parameters

Eligibility standards have been defined for two categories of financial products and services: A) dedicated-purpose financing and B) sustainability-linked financing:

A. Dedicated-purpose financing applies proceeds toward specific activities and projects

1. Dedicated-purpose instruments and services are eligible if 100% of proceeds are intended for activities and projects that meet the eligible green or social criteria of the SFCS, which was based on the EU Taxonomy and other international industry guidelines (see Appendix).
2. Green, social and sustainability bonds/loans are also eligible if they adhere to ICMA's green, social or sustainability-linked bond principles and to LMA's[5] Green Loan Principles and have been assessed by a reputable external second-party opinion ("SPO") provider. Additionally, bonds are also eligible if they have been certified under the Climate Bonds Initiative's (CBI) Climate Bonds Standard.

B. Sustainability-linked financing

Sustainable financial instruments are designed to further customers' objectives and commitments with regard to environmental and social sustainability. Their pricing can vary if the issuer achieves pre-determined sustainability/ESG objectives. These sustainability performance targets ("SPTs") can relate to (1) ESG ratings and (2) predetermined sustainability indicators.

Regardless of their structure, they should conform to recognized industry principles and guidelines such as LMA's Sustainability-Linked Loan Principles and ICMA's Sustainability-Linked Bond Principles.

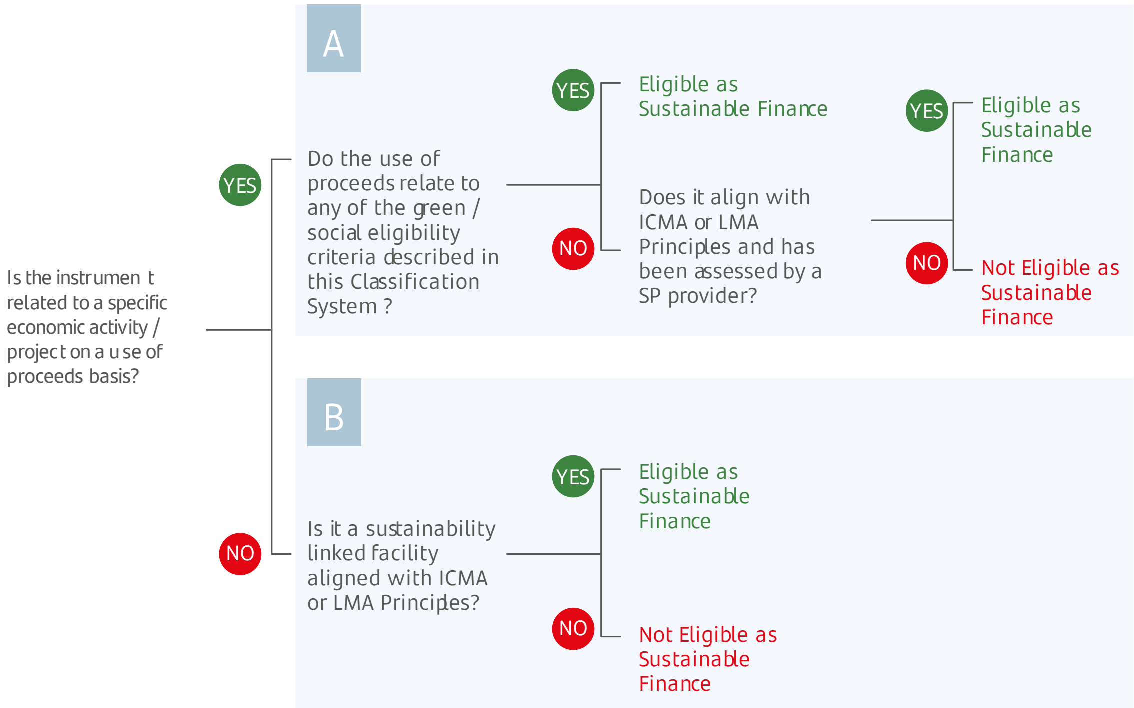
1. If based on ESG ratings:
   - the rating needs to be provided by recognized and reputable ESG assessment providers;
   - the sustainability performance target rating level should be ambitious with respect to the baseline rating;
2. If based on pre-determined sustainability indicators (KPIs):
   - the KPIs should be measurable and relevant to a customer's core business and to the sector's sustainability challenges
   - the SPTs should be ambitious and consistent with the customer's overall sustainability strategy;

Sustainability-linked financing transactions should be structured and assessed according to SCIB's latest sustainability-linked loan structuring guidance.

Sustainable financial instruments are also eligible if a reputable external second-party opinion provider has found them consistent with the ICMA's Sustainability-Linked Bond Principles or the LMA's Sustainability Linked Loan Principles.

3.2. Decision tree

The below diagram summarises the potential classification options:



3.3. List of sectors and covered activities

This table outlines business activities that aid environmental sustainability and that are therefore considered eligible as green finance if they conform to the eligibility standards provided in the Appendix.

Eligible green category	Activities	SDGs
Energy	• Renewable energy production • Renewable energy transmission and distribution • Renewable energy storage	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 13 Climate action
Transport	• Sustainable ground transport • Sustainable water transport • Transport Infrastructure	9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
IT and communications	• Solutions that help reduce GHG emissions • Technology and software to save electricity	9 Industry, innovation and infrastructure; 12 Responsible consumption and production
Agriculture, forestry and livestock	• Sustainable agriculture • Forestry and land conservation • Sustainable animal husbandry and aquaculture	12 Responsible consumption and production; 14 Life below water; 15 Life on land

Real estate	• Construction, refurbishment and purchase of green buildings • Sustainable installations such as heating, air conditioning and plumbing	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
Water and waste management	• Sustainable waste management, recycling and recovery • Sustainable water supply and sewage • Repair	6 Clean water and sanitation; 11 Sustainable cities and communities; 12 Responsible consumption and production
Manufacturing	• Products and services that saves energy on industrial processes	12 Responsible consumption and production
Other activities for climate change mitigation / adaptation	• Reduction, prevention and removal of GHGs and air emissions • Biodiversity and conservation projects • Climate change adaptation projects • Carbon market financing to reduce GHGs	13 Climate action

This below table outlines business activities that address or mitigate social issues and seek positive social outcomes. These activities can be considered social finance if they conform to theseclassification categories and are expressly aimed at the relevant "Target population" described in the Appendix.

Eligible green category	Activities	SDGs
Education	• Building of education facilities • Educational services • Student loans	4 Quality education; 8 Decent work and economic growth
Healthcare	• Building of healthcare facilities • Health services • Research and development (R&D) and pharmaceutical and medical manufacturing	3 Good health and well being; 10 Reduced inequalities
Transport	• Transport infrastructure construction • Improvement of transport infrastructures for people with disabilities	9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
Energy	• Construction of energy projects and distribution lines and related buildings	7 Affordable and clean energy; 11 Sustainable cities and communities
Water and waste management	• Construction of infrastructure for water; sewage; and waste collection, treatment, distribution and removal	6 Clean water and sanitation; 11 Sustainable cities and communities
Real State	• Affordable housing	10 Reduced inequalities; 11 Sustainable cities and communities
Finance and Insurance	• Credit for SMEs and entrepreneurs (including microfinance)	1 No poverty; 8 Decent work and economic growth

IT and communications	• Construction of telecommunications, distribution lines, and related buildings and infrastructures	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
Financing for non-profit organizations	• Lending to non-profit organizations and charities that focus on activities that the SFCS considers green or social	10 REDUCED INEQUALITIES

3.4. Environmental and social due diligence and exclusions

To ensure that a sustainable finance transaction will not cause major environmental or social damage, it will be subject to environmental and social due diligence ("E&S DD")f it relates to the Equator Principles or a sensitive sector as described in the current Santander E&S and Climate Change Risk Management Policy.

3.5. Verification

Financing that the SFCS categorizes as sustainable will be reviewed and validated to ensure screening criteria are met through a verification process that involves front-office representatives, specialist business reviewers and a higher authority for escalation and review. Verification also involves the collecting of sufficient evidence to support final classification.

Sustainable financing that the SFCS classifies as eligible will be subject to the appropriate level of disclosure and certification. All reports and tools relating to SFCS financial products and services must be accessible and verifiable by an external auditor.

4. Reporting

The reporting requirement may vary by instrument and stakeholder. Our externally audited Sustainability Report will annually provide aggregate data and other details (e.g. prevented GHG emissions, committed loan amount, sectoral breakdown, financial instrument breakdown) about transactions under each category by portfolio.

5. SFCS governance

The SFCS will be reviewed and updated from time to time to reflect current sustainability-related market practices and the potential expansion of Santander's business activities beyond the activities found in the Appendix. It will be reviewed, at least, once a year. New versions of the SFCS would also cover new sustainable financial instruments and would not affect the classification of sustainable financial instruments already considered.

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Appendix – Eligibility standards by sector

A. Green eligibility standards

This table outlines business activities that aid environmental sustainability and, therefore, are eligible as green finance if they meet the required “eligibility standards”.

1. Energy

1.1. Renewable energy production

Eligibility standards:

Construction, manufacture, installation, expansion, repair/renovation/retrofit/improvement, transmission and distribution, purchase, operation, transport and maintenance of infrastructure (and land) to produce:

1. Solar power

- Small-scale* photovoltaic (PV) solar electricity production on rooftops is eligible. Large-scale PV electricity and concentrated solar power (CSP) production is eligible subject to a full social and environmental impact analysis.

*Defined by EIA as having capacity of less than 1 megawatt (MW), usually located at the customer's site of electricity consumption. These small-scale PV installations are also referred to as behind-the-meter, customer-sited, or distributed generation capacity.

2. Wind power

- Wind power production is eligible subject to a full environmental and social impact analysis.

3. Tidal power

- Tidal power production is eligible subject to a full environmental and social impact analysis.

4. Geothermal power

- Geothermal power production is eligible subject to a full environmental and social impact analysis and provided that direct emissions are below 100 grams CO_2e/kWh.

5. Hydroelectric power

- Hydroelectricity with a power density above 5W/m^2 or lifecycle emissions below 100gCO_2e/kWh. For new projects over 25MW, a full impact analysis is required.

1.2. Hydrogen and bioenergy production

Eligibility standards:

Construction, manufacture, installation, expansion, repair/renovation/retrofit/improvement, transmission and distribution, purchase, operation, transport and maintenance of infrastructure (and land) to produce:

1. Green Hydrogen

Hydrogen is eligible if:

- it is produced from renewable electrolysis or from sustainable biomass, biogas, renewable natural gas or landfill gas.

2. Bioenergy

- Electricity from waste materials is eligible if:
  - they are from biomass or second-generation biofuels (such as animal manure and agricultural waste);
  - Lifecycle GHG emissions intensity below 100g CO_2e/kWh
  - waste has been separated, removing reusable /recyclable items before conversion;
  - Biogas is produced in closed or decommissioned landfills with gas capture systems that are at least 75% efficient.

1.3. Transmission and distribution of electricity

Eligibility standards:

- For transmitting and selling electricity, the building or repair of infrastructure for renewable energy with less than 100gCO_2/KWh is eligible.
- Activities to improve electrical systems for more efficient electricity (including smart grid development, distributed generation and peak demand management).

1.4. Energy storage

Eligibility standards:

- Electrochemical, mechanical and thermal power storage are eligible.
- The construction of hydrogen storage assets is eligible subject to a full environmental and social impact analysis.
- The operation of hydrogen storage assets is eligible if they store eligible hydrogen (e.g., power-to-hydrogen systems based on water electrolysis are eligible).

2. Transport

2.1. Land transport

Eligibility standards:

Manufacture, purchase or maintenance, extension, repair/reconditioning/retrofit/upgrades, or operation of, including equipment[6]:

- Electric vehicles and trains.
- Vehicles and trains (including hybrids) with less than 50g CO_2 per km or 25g CO_2 per tonne-km (freight) may be eligible until 2025; thereafter they will not be eligible under this Classification System;
- Green Hydrogen-powered vehicles.
- Development or improvement of railway transport to spur a shift from road to rail.

The primary purpose (more than 25% share) should not be the transportation of fossil fuel freight.

2.2. Water transport

Eligibility standards:

Manufacture, maintenance, extension, repair/purchase or reconditioning/retrofit/upgrades, or operation of, including equipment:[6]

- Solar, electric or hydrogen-powered boats.
- Motorless sail boats.
- Other vessels are eligible if:[A]
  - their direct emissions per tonne-km are 50% lower than the average benchmark for HDVs (Heavy Duty CO_2 Regulation).
  - they are 10% more efficient than a global standard (Efficiency Design Index (EEDI)).
  - they operate below <75g CO_2/p-km.

The primary purpose (more than 25% share) should not be the transportation of fossil fuel freight.

2.3. Transport infrastructure

Eligibility standards:

Manufacture, maintenance, extension, repair/purchase or reconditioning/retrofit/upgrades, or operation of, including equipment:

- Infrastructure for direct emission-free transport (e.g. charging points, grid connection upgrades, hydrogen filling stations and electric highways).
- Infrastructure for active mobility (walking, cycling).
- Electrified and non-electrified rail infrastructure if a plan for electrification or alternatively powered trains is in place and consistent with the thresholds set out in section 2.1.
- Infrastructure that is predominantly used for low-carbon transport if the fleet that uses it meets the direct emissions thresholds set out in sections 2.1 and 2.2.

The primary purpose (more than 25% share) should not be the transportation of fossil fuel freight.

3. IT and communications

3.1. Reporting and communications technology[7]

Eligibility standards:

- Development, manufacture and installation solutions (including hardware and software) for data collection, transfer, storage, modelling and use exclusively to supply data and analysis for decision-making on GHG reduction (e.g. climate and GHG emissions monitoring, systems for monitoring GHG emissions and early warning systems, etc.). Solutions may include decentralized technologies (DLT), Internet of Things, 5G and artificial intelligence.
- Development, manufacture and installation of electricity-saving technologies and software aimed at reducing power consumption through demand management that have third-party environmental or energy performance certification such as ENERGY STAR (score of 85 or above), EPA Energy Star "Most Efficient" label, or Electronic Product

Environmental Assessment Tool (EPEAT) (Gold or above) or other equivalent internationally-recognized or nationally-recognized labels/certifications.

- The building, refurbishment, expansion or purchase of data centres for data processing, hosting and related activities are eligible if it complies with the European Code of Conduct for Data Centre Energy Efficiency and/or power usage effectiveness (PUE) is below 1.5

4. Agriculture, forestry and livestock

4.1. Growing of crops

Eligibility standards:

Production, purchase, investments and expenditure of sustainably produced crops that have been certified under a credible scheme: Global Good Agricultural Practice (Global GAP); EU Organic; or an equivalent national or international scheme (USDA Organic, Canada Organic, Rainforest Alliance, etc.).

4.2. Sustainable agriculture

Eligibility standards:

Production, purchase, investments and expenditure of:

- Recovery and restoration of degraded soil; biological nitrogen fixation; projects to reduce the use of synthetic fertilizers; projects to keep the use of pesticides to a minimum; biogas production (according to the eligibility criteria in section 1.2); and crop rotation.
- Low-carbon agricultural technologies that improve productivity and efficiency while reducing environmental impact (like crop sensors, vertical farming, hydroponics and aeroponics).
- No till farming.

4.3. Protected agriculture

Eligibility standards:

Production, purchase, investments and expenditure of agricultural structures (such as greenhouses and shade houses) that save energy and water. Operations will either grow each crop within its natural cycle or source low-carbon energy for heat and power.

4.4. Afforestation / Reforestation

Eligibility standards:

Production, purchase, investments and expenditure of sustainable forestry projects certified under a credible scheme such as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). Smallholders may comply through an independently reviewed sustainable forest management plan, in lieu of FSC/PEFC certification.

4.5. Land conservation and restoration & Soil Remediation

Eligibility standards:

Production, purchase, investments and expenditure of for:

- the restoration of native and high conservation value forests
- the preservation of biodiverse land or valuable natural habitats

- the permanent conservation of land
- Soil Remediation /remediating contaminated soil /land (not caused by the client/borrower, or the cause of contamination has been eliminated)

4.6. Animal husbandry

Eligibility standards:

Production, purchase, investments and expenditure of for:

- operations that use integrated crop-livestock-forestry systems (ICLFS)
- sustainable feed production and processing
- projects to reduce emissions from livestock (excluding industrial-scale meat processors)

4.7. Sustainable aquaculture

Eligibility standards:

Production, purchase, investments and expenditure of sustainably produced seafood that has been certified by the Aquaculture Stewardship Council (ASC).

5. Real estate

5.1. Construction, refurbishment and purchase of "green" buildings

Eligibility standards:

- Development, purchase, maintenance, extension, repair/retrofit and/or refurbishment of new or existing buildings to obtain certification of efficiency of the real estate
  - LEED Gold or above,
  - BREEAM Excellent or above[8],
  - Energy Performance Certificate (EPC) B or above in Spain, Poland, Italy, and UK
  - CBI Buildings criteria (of top 15% of city building stock)
  - or other equivalent internationally recognised green building certification schemes[9].
- Retrofit of existing buildings that achieve a minimum 30% reduction in Primary Energy Demand.

5.2. Energy efficiency equipment in buildings

Eligibility standards:

- Replacement of windows to boost energy efficiency.
- Replacement of external doors to boost energy efficiency.
- Replacement and installation of household appliances with an EU energy label rating of A or above.
- Heating systems powered by renewable energy (e.g., renewable electricity, solar floor heating, biomass heaters).

5.3. Renewable energy infrastructure in buildings

Eligibility standards:

Installation, maintenance and repair of:

- photovoltaic solar modules
- solar panels for hot water
- ground source heat pumps that use a refrigerant with GWP <10
- wind turbines
- transpired solar collectors
- thermal or electrical energy storage units

5.4. Instruments and devices to enhance buildings' energy use

Eligibility standards:

Installation, maintenance and repair of:

- zone and smart thermostats and sensors (especially for motion and daylight)
- building automation and control systems, building energy management systems (BMS), lighting control systems and energy management systems (EMS)
- smart meters for gas, heating, cooling and electricity
- façade and roofing elements with solar shading or control functions (especially for growing vegetation)

6. Water and waste management

6.1. Waste management and remediation activities

Eligibility standards:

Construction, manufacture, installation, maintenance , extension, repair/ renovation /retrofit/ improvement, acquisition or operation of activities that improve waste quality and efficiency, including sorting and treatment are eligible if:

- the aim is to recycle[10] or reuse the waste.
- conversion ratios exceed 25% (conversion of reused or recycled non-hazardous waste into another raw material for use, mainly energy).

For other activities: Installation and operation of infrastructure to capture and use landfill gas in permanently closed landfills with new or supplementary technical facilities and equipment installed during or after closure (efficiency > 75%).

6.2. Water supply and sewage

Eligibility standards:

Construction, manufacture, installation, maintenance (of infrastructure and land), extension, repair/ renovation /retrofit/ improvement, acquisition or operation of activities that improve water quality and efficiency, including:

- End-to-end water supply systems with a maximum average energy consumption (including abstraction, treatment and distribution) of 0.5 kWh per cubic metre of authorized, billed/non-billed water supply.

- Systems that reduce average energy consumption by at least 20% (including abstraction, treatment and distribution; measured in kWh per cubic metre of authorized, billed/non-billed water supply).
- Systems that narrow the gap between actual supply network leakage and a given low leakage target by at least 20%. The unit of measurement is the Infrastructure Leakage Index (ILI). The target low leakage is an ILI of 1.5.
- Water treatment infrastructure powered by renewable energy.

6.3. Reparation activities

Eligibility standards:

Adapting production to revert a product to its original use if it doesn't require additional pre-processing (e.g. procurement of recycled metals) and its main purpose is to adapt production to meet a third-party sustainability certification.[11]

7. Manufacturing

7.1. Industrials

Eligibility standards:

Development, manufacture, distribution and installation of products or services that increase the energy efficiency of industrial processes (except carbon-intensive and fossil fuel-powered processes).[12]

8. Other activities related to climate change mitigation/adaptation

8.1. GHG and air emissions reduction

Eligibility standards:

Infrastructure, equipment, products, technologies and software applications to test and monitor emissions and pollution as well as projects to reduce GHG and air emissions and to minimize or re-use waste heat. Projects that rely directly on fossil fuels and produce energy from fossil fuels are excluded.

8.2. Biodiversity and conservation projects

Eligibility standards:

- Projects to preserve or conserve terrestrial, aquatic and marine biodiversity, natural habitats and landscapes. Work should be geared towards reputable third-party value and risk management certification.

8.3. R&D projects to reduce, avoid or eliminate GHG emissions

Eligibility standards:

- R&D of assets and activities described in the SFCS, where the future asset product or process has a positive impact on the climate.
- R&D costs relating to mid-late stage research costs. Exploratory costs (early-stage R&D) are not fully eligible due to considerable uncertainty about their impact.

8.4. Climate change adaptation projects

Eligibility standards:

- Financing the installation of climate observation and data systems or infrastructure designed to protect against flooding and other extreme weather events. Reporting and monitoring systems are directly eligible.
- In climate change adaptation infrastructure projects, the potential borrower must have specified the climate challenge they aim to address and review their plans to make sure the project will achieve their adaptation goal (e.g., an entity seeking finance to build flood mitigation infrastructure should provide its plan to manage the project's own E&S impacts during construction, operation and end of life).

8.5. Carbon markets

Eligibility standards:

- Financing for compliance with national and international emissions trading systems.
- Financing, trading and enabling carbon credit purchases with high offset quality for projects eligible under the SFCS, and that follow standards, such as ICROA[13] and have obtained at least one of these certifications:

  a. Verified Carbon Standard (VCS)

  b. Gold Standard for Global Goals

  c. American Carbon Registry Standard

  d. Climate Action Reserve Standard

  e. Plan Vivo

  f. Woodland Carbon Code (WCC) for UK-based afforestation projects

  g. National crediting schemes that are overseen by a national body (such as the Spanish Climate Change Office) and considered as robust as the standards listed above.

The activity will only be eligible if the customer has emissions reduction plans, alignment strategies and/or net-zero targets in place.

B. Social eligibility standards

The table below outlines business activities that address or mitigate a specific social issue or seek to achieve positive social outcomes. Activities that fall under the definition and are aimed at the defined"Target population" are eligible for social financing. The "Impact metric" will be assessed to measure social contribution.

1. Education

Construction, refurbishment, expansion and purchase of public[14] centres for educational services: nursery, primary and secondary schools; university buildings; and other facilities.	Target population: General public Impact metric: Number of beneficiaries
Construction, refurbishment, expansion and purchase of public[14] sports and cultural education centres: arts, dance, sports, drama, music, etc.[15]	Target population: General public Impact metric: Number of beneficiaries
Construction, refurbishment, expansion and purchase of public[14] centres for other educational activities and services, including: • Academic tutoring • Learning centres that offer remedial courses • Preparation for professional exams • Languages and conversational skills • Computer training	Target population: General public Impact metric: Number of beneficiaries
Student loans if the terms and conditions offer a financial benefit.	Target population: Undereducated Impact metric: Number of students who receive the loan
Loans to finance reskilling and upskilling for adults.	Target population: Adults aged 25 to 65 without a job or at risk of losing it for which they need to be trained in upskilling and reskilling programs Impact metric: Number of loan recipients

2. Healthcare

Research and development (R&D) for, and manufacture of: • Basic pharmaceutical products and preparations (including vaccines) • Medical equipment and other supplies: radiation, electro medical and electrotherapeutic equipment, medical and dental instruments, etc.	Target population: General public Impact metric: Number of people who use the products
Construction, refurbishment, expansion, purchase and provision of healthcare services in public[14] hospitals; centres for general healthcare, specialized medicine, physiotherapy, diagnostics, family planning and speech therapy; laboratories and field hospitals.	Target population: General public Impact metric: Number of people who benefit from the facilities

Construction, refurbishment, expansion, purchase and provision of public[14] health services at specialized residential care/social work facilities: • Specialized residential care facilities (e.g., centres for nursing, learning disabilities, mental health, substance abuse treatment, the elderly, people with disabilities and other residential care activities for children, the homeless, orphans and other vulnerable groups). • Non-residential social work facilities (for the elderly and people with disabilities, children's day-care and other non-accommodation activities like counselling, helping victims of natural disasters and vocational training for the unemployed).	Target population: • People with disabilities • Senior citizens and vulnerable youth • Other vulnerable groups: children without families, homeless people and persons with substance abuse problems • Migrants and displaced persons Impact metric: Number of people who benefit from those services

3. Transport

Construction, refurbishment and expansion of roads and related infrastructure (including bridges and tunnels) aimed at improving transport links to underdeveloped rural areas.	Target population: The underserved who do not have quality access to essential goods and services (e.g., connecting rural populations). Impact metric: Number of people reached via the roads and infrastructure
Construction of over- and underground railways to bring socio-economic development to underdeveloped areas.	Target population: The underserved who do not have quality access to essential goods and services (e.g. cities without underground railways, rural populations and remote villages) Impact metric: Number of people reached via the railway infrastructure.
Refurbishment of transport infrastructure to help people with disabilities move around more easily (e.g. accessibility improvements to public transit networks).	Target population: General public Impact metric: Number of people who use the products

4. Energy

Construction, refurbishment and expansion of clean (renewable) energy production and distribution lines and of integral buildings and structures in target population areas. All fossil fuel projects are excluded.	Target population: The underserved who do not have quality access to essential goods and services (e.g., rural populations). Impact metric: Number of people reached

5. Water and waste management

Construction, refurbishment and expansion of water collection, treatment and distribution infrastructure and of integral buildings and structures in target population areas.	Target population: The underserved who do not have quality access to essential goods and services (e.g., cities with poor water quality or no treatment systems). Impact metric: Number of people reached

Construction, refurbishment and expansion of sewage, wastewater (not derived from fossil fuel sources) treatment and collection infrastructure (including wastewater transport) and of integral buildings and structures in target population areas.	**Target population:** The underserved who do not have quality access to essential goods and services (e.g., cities with no sewage or wastewater treatment systems). **Impact metric:** Number of people reached
Construction, refurbishment and expansion of hazardous and non-hazardous waste collection, sorting, disposal, treatment and recycling (including the recovery of waste and dismantling of wrecks) in target population areas.	**Target population:** The underserved who do not have quality access to essential goods and services (e.g., cities with no previous infrastructure for this purpose). **Impact metric:** Number of people reached

6. Real estate

Affordable housing: Granting of loans for housing (mortgages) for own residence purposes. This is considered a social activity if the loan the bank provides has an affordable interest rate and/or payment terms so that housing will remain affordable over time	**Target population:** • People without adequate housing, including the homeless and people in slums and informal settlements. • Income is less than 80% of the average income for the area / income below the national median. **Impact metric:** Number of people (average family size * number of mortgages) who benefit from the mortgage.
Affordable housing: Construction of housing (and associated infrastructure) that meets authorities' socio-economic requirements.	**Target population:** People who meet the regional government's socio-economic requirements **Impact metric:** Number of people (average family size * number of mortgages) who benefit from the homes.

7. Finance and insurance

Lending to the defined target population. Investment to increase access to a wide range of micro insurance and transactional banking products and services to the target population. Financing relief or extension (e.g. affordable financing, favourable extended terms, etc.) to entities that have been impacted by natural, health and/or human-made disasters, and are deemed materially significant to the local economy either because of the sector they support, the jobs they provide or the services they offer.	**Target population:** • SMEs, Microenterprises, Microentrepreneurs and informal workers that are in underdeveloped regions within the relevant country or areas experiencing depopulation or that are affected by natural or health disasters. • Rural population that work in agricultural production and the value chain • Entrepreneurial women. **Impact metric:** Number of people who receive the finance or microfinance

8. IT and communications

Construction, refurbishment and expansion of telecommunications infrastructure, distribution lines and integral buildings and structures (especially fibre optic network, 5G networks and high capacity network deployment) in target population areas.	Target population: The underserved who do not have quality access to essential goods and services. Impact metric: Number of people who will have an internet connection for the first time

9. Non-profit organizations

Lending to non-profit organizations and/or registered charities that meet Banco Santander guidelines[16] and that mainly focus on the green and social themes in this SFCS.	Target population: Non-profit organizations Impact metric: Number of non-profit organizations that receive financing

Target population - categories

Target population	Definition
Adult learning	Education that specifically targets individuals deemed adults in their society to improve their technical or professional qualifications; develop their skills; enrich their knowledge with the purpose of completing a level of formal education; or to upskill or reskill them.
Excluded and/or marginalized populations and communities	Individuals who are unable to participate in economic, social, political and cultural life on account of their ethnicity, religion or language, as well as the process leading to and sustaining such status.
General public	General population (as long as the service/activity is affordable and accessible).
Informal worker	Workers that engage in street vending, home-based work, waste picking, domestic jobs, and other short-term contracts. They may be undocumented, they usually are classified as living just above the poverty line, and they may not qualify for or even seek government support in normal times.
Living below the poverty line	Population whose income is below 50% of the average adjusted income per household.
Migrants and/or displaced persons	People who have been forced to leave their homes or have voluntarily left their country of origin (including refugees, stateless people and asylum seekers).
Other vulnerable groups, including people who have suffered natural disasters	Any group susceptible to suffering discrimination based on its socio-economic background and status: students; sole traders; small business owners; freelancers; start-ups and entrepreneurs; children without families; homeless people; substance abusers, etc.
People with disabilities	People with temporary or permanent disabilities who may experience poor health; have less access to healthcare, education and work opportunities; and are more likely to live in poverty than people without disabilities.

Senior citizens and vulnerable youth	Ageing populations: Senior citizens with difficult or limited access to infrastructure and services. Young people are considered a vulnerable group because of their unstable financial situation.
SMEs & Microenterprises	Non-subsidiary, independent firms of reduced size, according to the definition of the relevant national regulation
Underdeveloped areas	Remote and sparsely populated areas that might suffer exclusion from /lack of services and access due to their remoteness /political exclusion.
Undereducated	People who have not completed mandatory education or wish to undertake a higher degree of studies that they previously could not attain.
Underserved who do not have quality access to essential goods and services.	People without basic infrastructure (e.g. rural/isolated populations). People who are unbanked (i.e. from households without a current or savings account who may rely on AFS) or otherwise have limited access to mainstream financial services.
Unemployed	Share of population of working age who were not in employment, carried out activities to seek employment during a specified recent period and were currently available to take up employment given a job.

[1] According to the European Commission

[2] International Capital Market Association

[3] https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

[4] Santander Asset Management ("SAM") currently offers sustainable and responsible investment ("SRI"). SRI is an investment approach based on an internal methodology that analyses and selects investments based on ESG criteria to enhance risk management and generate sustainable returns for investors while benefiting society. The SFCS covers green and social SAM products with a known use of proceeds and clear purpose as one or more of the green or social activities within this SFCS.

[5] Loan Market Association

[6] Special parts should be used directly in clean modes of transport to be eligible. If a production facility is not purposed for green transport assets (e.g., internal combustion and hybrid engine vehicles), green assets require a pro-rata approach to be eligible.

[7] Satellite, wired and wireless telecommunications

[8] "Very good" can be acceptable with a minimum score of 70% in the Energy category

[9] Other equivalents: EDGE (global); PassivHaus (global); BEAM Plus (Hong Kong); Green Mark (Singapore); DGNB Certification (Germany); HQE (France); Home Quality Mark 4 stars and above (UK/residential); Ecocasa (Mexico/residential); Certificado de Vivienda Sostenible (Chile/ residential).

[10] Projects to recycle electronic waste require an E&S risk mitigation assessment to prevent health hazards and leakages of toxic substances into the surrounding environment.

[11] This financial purpose is sustainable according to UNEP FI - Impact area: Circular Economy. The EU Taxonomy is due to include it in line with the circular economy objective.

[12] This standard involves thresholds and requirements stated in such international industry guidelines as the Climate Bond Standards and the EU Taxonomy.

[13] International Carbon Reduction and Offset Alliance

[14] Private centres that are non-profit or affordable for vulnerable groups are eligible.

[15] This section does not include:

- activities of cultural, entertainment and recreational interest, such as live performances, museums, gambling and sports and leisure;
- the operation of sports facilities and sports teams and clubs' activities.

[16] Santander's policy on contributions for social purposes

Sustainalytics footnotes:

[A] Sustainalytics informed Santander that water transport under the thresholds provided should be considered non-green transition activity; however, Santander is electing to include such activities (which come from the EU Taxonomy) as "green activities".

Santander