

## Santander Group sets ambition to be net zero by 2050, supported by first decarbonization targets

- By 2030, Santander will align its power generation portfolio with the Paris Agreement. As part of this, the group will stop providing financial services to power generation clients with more than 10% of revenues dependent on thermal coal and eliminate all exposure to thermal coal mining worldwide.

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To support the goals of the Paris Agreement on climate change, Santander is announcing today its ambition to achieve net zero carbon emissions across the group by 2050. The ambition applies to the group's own operations, which are net zero since 2020, and all client emissions that result from any lending, advisory or investment services provided by Santander.

To achieve this and help facilitate the transition to a low-carbon economy, by 2030 the bank will align its power generation portfolio with the Paris Agreement, and has also today published its first decarbonization targets:

- By 2030, Santander will have stopped providing financial services to power generation clients with more than 10% of revenues dependent on thermal coal.
- By 2030 the bank will eliminate all exposure to thermal coal mining worldwide.

These are Santander's first decarbonization targets for its financial activities and affect material carbon emitting sectors. The bank will provide further details of its roadmap to achieving its net zero emissions ambition in its Climate Finance report, which will be published later this year. The group will share decarbonization targets for other material sectors no later than September 2022, including oil & gas, transport<sup>1</sup>, and mining & metals.

**Ana Botín, Banco Santander executive chairman**, said: *"Climate change is a global emergency. As one of the world's largest banks, with 148 million customers, we have a responsibility and an opportunity to support the green transition, and encourage more people and businesses to go green. There is much, much more to be done, but today's commitments are important steps on the journey."*

Working together with customers to support them in their transition to reduce carbon emissions will be key to achieving the net zero ambition. The bank will actively engage with customers to help support and enable this transition. Santander has specialist environmental, social and governance (ESG) teams in Santander Corporate & Investment Banking (Santander CIB) and Wealth Management to support that process, is working with the Banking Environment Initiative to develop a framework for client engagement, and is a signatory to Climate Action 100+ to promote action on climate change among the world's largest corporate greenhouse gas emitters.

As a signatory to the UN Principles for Responsible Banking and the Principles for Responsible Investment (PRI), and as a member of the Institutional Investors Group on Climate Change (IIGCC), we follow international best practice and standards.

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<sup>1</sup> Transport includes autos & trucks, shipping, airlines & airfreight, trains and transit systems (including the manufacturing of vehicles, ships, etcetera). It does not include retail auto financing.

The targets announced are a first step towards Santander fulfilling the UN's Collective Commitment to Climate Action (CCCA), to which the group was a founding signatory in September 2019.

Governments within most of the countries Santander serves have set an ambition towards net zero.

Banco Santander will work to achieve its net zero ambition in three ways.

## 1. Aligning Santander's portfolio to meet the Paris Agreement goals

To achieve this, Santander will:

- Enhance climate-related disclosures by providing a climate materiality assessment in the group's 2020 Annual Report, which is due to be published later this month. The report will also provide emissions intensity data for the power generation sector.
- Implement the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) of the Financial Stability Board, the European Central Bank expectations and other authorities' guidelines on climate-related and environmental risks to continue embedding climate change into its governance, strategy, risk management, and metrics and targets.
- Update its environmental, social & climate change risk management policy in relation to prohibited and restricted activities in high emissions sectors, among others. This includes activities in climate-relevant sectors such as energy, mining and metals, and soft commodities.
- Define alignment strategies for portfolios identified as most concerning (oil & gas, transport, and mining and metals) in terms of climate risk and for which there are already alignment methodologies available, as well as working on the development of internal capabilities. Furthermore, we will assess alignment of other portfolios by exposure or positioning such as mortgages & retail auto financing applying best data and methodologies available.
- Work towards measuring financed emissions and related metrics to support the setting of intermediate targets and improved disclosures.
- Further collaborate with global experts such as United Nations Environment Programme Finance Initiative (UNEP FI), World Business Council for Sustainable Development (WBCSD) and its Banking group on agriculture initiatives, World Resource Institute (WRI) regarding Science Based Targets and Net Zero future standards, Institutional Investors Group on Climate Change (IIGCC) and Principles for Responsible Investment (PRI), and continue to contribute to the Consultative Group of the Taskforce on Scaling Voluntary Carbon Markets, to explore and assess methodologies that will be required to set alignment targets.

Santander will continue to disclose its progress integrating climate change initiatives into its processes and policies and providing information about its climate performance and progress in fulfilling its Collective Commitment to Climate Action and its net zero ambition announced today.

## 2. Supporting the transition to a green economy

Santander is already playing a major role in helping to tackle climate change and enabling the transition to the green economy. At the end of 2020, Santander CIB was the world leader in renewable financing, according to Dealogic. In 2020, the bank helped finance greenfield renewable energy projects with a total installed capacity

of 13,765 megawatts (MW), enough to power 10.3 million households<sup>2</sup>, and avoid 60 million tons of CO<sub>2</sub><sup>3</sup> emissions.

The bank aims to:

- Raise or facilitate the mobilization of €120 billion in green finance by 2025. This figure will increase to €220 billion by 2030 and includes, among others, project finance, syndicated loans, green bonds, capital and export finance and advisory. Since 2019, Santander has raised or facilitated €33.8 billion in green finance.
- Continue its leadership position in renewables, as well as leveraging its origination capabilities to issue more green bonds.
- Develop green products for its customers, including: green mortgages; energy efficiency loans; loans to install solar panels, for electric vehicles, and for low carbon agriculture; ESG investment solutions; and additional services such as eco-cards, or carbon footprint measurement tools, which allow customers to offset emissions.
- Engage with customers to support them in the transition to a low carbon economy through the Santander CIB and Wealth Management ESG teams.
- Continue to fight deforestation and its negative impact on climate change and biodiversity, especially in the Amazon.

### 3. Reducing Santander's own environmental footprint

Santander has now achieved carbon neutrality in its own operations by using renewable energy and other efficiency initiatives and offsetting any remaining emissions.

The bank has created a carbon-offset scheme comprising five projects, which have been certified as meeting recognised international standards, including the Gold Standard, the Verified Carbon Standard (VCS), and the Kyoto Protocol's Clean Development Mechanism (CDM). These projects are the 'Oaxaca III' wind power project in Mexico; reforestation in Guadalajara, Spain; the "Salto Pilão" hydroelectric plant in Brazil; the N<sub>2</sub>O emissions abatement project in Krefeld, Germany; and gas recovery at the Bluesource landfill in Spartanburg, South Carolina, USA.

The bank is also progressing toward other targets set in 2019:

- Use 100% of electricity from renewable sources in all countries in which it operates by 2025 where it is possible to certify the source of the electricity. By the end of 2020, 57% of the bank's electricity use was from renewable sources.
- Remove unnecessary single-use plastics from its branches and corporate buildings by the end of 2021. By end 2020, the bank had achieved a 98% reduction.

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<sup>2</sup> Calculated using data on final electricity consumption for the residential sector by country published by the International Energy Agency (source updated in 2020 with data from 2018).

<sup>3</sup> Emissions which the MW financed in 2020 will prevent over the course of the projects' useful lifespans. International Energy Agency emissions factors (source updated in 2019 with data from 2017) have been used.