

Banco Santander, S.A.
Green Bonds Framework

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1. Disclaimer

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2. Green Bonds Framework

2.1 Use of Proceeds

Santander actively participates in financing renewable energy projects which contribute to its mission of helping people and business prosper and specifically towards the transition to a low carbon emission economy and the fight against climate change.

The net proceeds of green bond issuances, or of Santander International Products Public Limited Company's green bond issuances guaranteed by the Bank (Santander and Santander International Products Public Limited Company together referred as "the Issuers"), under the scope of this Green Bonds Framework will be used to finance and refinance loans related to renewable energy (see Eligible Green Assets definition below).

Eligible assets categories have been identified by Santander to provide financing for renewable energy production in projects located in core countries for the bank (Europe, US and Latin America) and funded by Banco Santander S.A.

The net proceeds of the Green Bonds will be allocated to both (i) existing loans of Eligible Green Assets on Santander's balance sheet at the date of issuance (loans signed from 1st January of the year "N-3" to 31st December of year "N-1", for any Green Bond issued in year N), as defined in this section, and (ii) loans of the same nature signed between 1st January of year "N" until 31st December of year "N+2". During the term of any Green Bond, the share of eligible assets under (i) above won't exceed 50% of its issued amount.

In case of divestment, if an asset fails to ensure continued compliance with the eligibility criteria, or if early repayment of a loan occurs, Santander commits to replacing the asset with another one, respecting the eligibility criteria within 12 months.

Eligible Green Asset categories

Wind and solar technologies: The eligible technologies are always commercially proven and with years of track record. The design concept always consists in the transformation of wind energy or solar irradiation into electricity (no other primary energy source involved), through different physical processes.

- Solar projects:
 - Photovoltaic (PV) plants: The technology is based in the photovoltaic effect, where light absorbed by solar modules, made of

semiconducting materials, is transformed into electricity. PV assets are usually ground mounted utility-scale plants, with state of the art components and renowned manufacturers for the main components (modules, inverters, etc.).

- Concentrated Solar Power: Although several technologies fall within this category, our activity is mostly concentrated in parabolic trough solar thermal plants. Here, there is a fluid being heated by the reflection of the sun in fields of arrays of parabolic mirrors. Heat energy is then transformed into electricity as in other thermal plants.
- Wind projects: As for windfarms, Santander typically finances onshore and offshore projects, with world-leader turbine manufacturers. The principle is quite simple: Wind turbine generators partially capture the wind through three rotating blades, and then the mechanical energy is transformed into electricity through generators.
 - Onshore wind: This technology is very mature, and there are no important concerns or technical challenges.
 - For offshore wind, the projects financed to date have always had ground-mounted foundations (monopole/tripod/jacket); while other developing technologies (floating foundations) are still not within the possible scope.

The eligible projects will include the electricity generation technologies as described above, and also any ancillary infrastructure, such as transmission lines, substations, etc.

Moreover, the eligible assets comply with Santander's Group sectorial policies (Defence, Energy, Soft Commodities and Mining and Metal policies), a copy of which is available at Santander website:

These policies prohibit financing certain activities and establish restrictions for others (e.g., transactions needing special attention in light of their potential social and environmental impact and subject to certain requirements being met in order to be approved).

For all clients or transactions approved under the scope of each policy, the appropriate monitoring, control and information mechanisms are established in accordance with the Bank's internal frameworks and processes. In addition, a declaration of conformity with the policies must be signed by clients as part of the clauses under the contract agreements.

Santander's Energy Policy states that Santander Group will not participate in any transaction related to lending, financial consulting services, equity, asset management or insurance with customers who take part in any of the following activities:

- New coal-fired Power Plants projects worldwide, new clients with coal-fired power plants worldwide, that are not designed to reach the levels established by the Bank of thermal efficiency or emissions, setting different criteria for designated countries¹, and for the rest of countries.
- Any revamping of any existing coal-fired power plant being already in operation (brownfield projects) if the project does not provide a significant improvement in CO₂ emissions or in its average thermal efficiency compared to the current situation.
- Nuclear power plants in countries that have not ratified the Convention on Nuclear Safety, the joint convention on the physical protection of nuclear

Other eligibility criteria

In addition to complying with the above criteria, the eligible assets will be categorized according to the Equator Principles (EP). Only Projects designated under EP with the category "B" and "C" will be eligible.

In the case of "B" projects, an independent assessment will be carried out on to determine the compliance with the EP. In the case of "C" projects the bank will evaluate compliance with the EP principles through its internal EP screening.

CO₂ emissions avoided

On an annual basis, the Issuers will calculate an estimation of the CO₂ emissions avoided by the Eligible Green Assets financed or refinanced with the proceeds of each Green Bond. The methodology used to that purpose is based on an internal estimation methodology based on GHG Protocol.

Avoided emissions are estimated considering that the estimated generation attributable to Santander would be otherwise produced with the technology mix of associated national electricity grids of the countries in which each of the eligible assets were located, using latest available data from the International Energy Agency emission factors (tCO₂/MWh). Under this methodology, electricity generation (MWh) is based on average production

¹ It is understood as designated countries those that have a solid environmental and social governance framework, legislation and institutional capacity to protect its inhabitants and the natural environment. <http://www.equator-principles.com/index.php/designated-countries>.

reported by project promoters or, when not available, the installed capacity (MW) and an adequate technology-specific load factor².

Santander may consider future opportunities to update this Green Bonds Framework to expand the Eligible Green Assets categories subject to an external party evaluation.

2.2 Project Evaluation & Selection

Santander has a dedicated Project Finance department for renewable energy which is responsible for the selection and financing of projects that potentially will be eligible assets for the purposes of the Green Bonds.

Santander has a general project selection and evaluation process as defined in the Global Sustainable Bonds Framework and follows the specific selection process to select the assets for the Green Bonds:

- **Project selection:** In the Power and Energy industry, Santander is mainly focused on technology-proven renewable assets (e.g. photovoltaic (PV) and onshore and offshore wind), located in core countries for the bank (Western Europe, US and Latin America). The Issuers can also explore opportunities in other regions, mainly when there is an Export Finance angle. Existing renewable projects on balance at the date of the issuance are located in Europe and the US; future new renewable projects under the definition of this green framework may be located in all core countries for the bank (Western Europe, US and Latin America).

In addition, Santander Group has also been applying the Equator Principles (EP) since 2009, to Project Finance and corporate funding for a known purpose, including bridge loans before project finance is granted and corporate lending arrangements for building or remodeling a specific project.

2.3 Management of Proceeds

The Management of Proceeds are clearly defined and formalized in Santander's Global Sustainable Bonds Framework.

² For those projects that have not yet started operations in any reporting year, Santander will provide an estimation of the expected annual production.

The intention of the Issuers is to allocate the net proceeds of the Green Bonds within 36 months after its settlement.

- The net proceeds of the Green Bonds will be managed by Santander's Funding business unit in the form of liquidity in a single funding pool in accordance with Santander's normal liquidity management policy.
- The allocation of funds to Eligible Assets will be appropriately tracked by the Sustainable Steering Group using a relevant internal system. The Sustainable Bonds Steering Group will ensure that a portfolio of Eligible Assets at least notionally equivalent to each Green Bond's outstanding amount is maintained all the time.

2.4 Reporting

The process for reporting is clearly defined, formalized and following Santander's Global Sustainable Bonds Framework.

Santander will confirm that the use of proceeds of each Green Bond issuance conforms to this Green Bonds Framework as well as the Global Sustainable Bonds Framework.

The annual reporting for every Green Bond issuance will include:

- The amount of proceeds allocated to the Eligible Green Assets.
- The amount of proceeds not yet allocated to the Eligible Green Assets.
- Details on the Eligible Green Assets financed or refinanced by the bonds, such as:
 - Technology (solar, wind...).
 - Location.
 - Operational status (under construction or in operation).
 - Outstanding exposure.
 - Installed capacity or installed projected capacity (MW), and annual energy produced or projected energy produced (MWh).
 - Information on the environmental impacts: Annual CO₂ emissions reduced/avoided as per methodology described in section 2 of this document.
- The share of new financing (as per paragraph (ii) under 2.1) compared to passed financings (as per (i) under 2.1).
- The indicators will be based on Eligible Green Assets allocated on or prior to December 31st of the year immediately preceding the issuance of each report.
- All the assets data will be anonymized for confidentiality reasons.

This information will be externally verified by the financial auditor assuring compliance with this framework.

2.5 External Reviews

Santander's Green Bonds issuances are supported by external reviews provided by:

- Vigeo Eiris' review ("Second Party opinion"), as sustainability consultant, on the responsible credentials of the Green Bonds Framework, based on pre-issuance commitments and covering all the notes dimensions, i.e. Issuers' sustainability commitments, alignment of the green bonds issuances to the Issuers' sustainability strategy, Green Bonds principles compliance, use of proceeds including ESG integration, project evaluation and selection, management of proceeds and reporting (processes and indicators), contribution of the issuances to sustainable development and fight against climate change.
- An ad-hoc Second Party Opinion in the event that additional Eligible Green Assets categories will be added to the Green Bonds Framework.
- On annual basis, an external verification (third party ESG and/or financial audit) of the compliance, in all material respects, of (i) the actual allocation of proceeds to Eligible Green Assets and their alignment with the eligibility criteria, (ii) the pending cash allocation, annually and until the maturity date of the note, (iii) review of the avoided CO₂ emissions estimated.