

Banco Santander, S.A.
Global Sustainable Bonds Framework

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1. Disclaimer

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2. Background and Objective

The purpose of Banco Santander, S.A. (“the Bank” or “Santander”) is to help people and businesses prosper; to fulfil its purpose it has to act responsibly with its employees, customers, shareholders and the wider community. By delivering on its purpose, helping people and businesses prosper, it grows as a business and it can help society address its challenges as well.

People rightly expect businesses to play a role in fostering sustainable growth, and a transition to the green economy in a way that is responsible towards society. All of this is why communities are best served by corporations that have aligned their goals to serve the long term goals of society.

Santander has always strived to use its position in the market to help address wider challenges that society faces, but now it is even more important for the Bank to be responsible in all it does. Santander needs to show how its business is delivering profit with a purpose. To achieve this, the Bank has identified two challenges –first, the challenge of the new business environment and second, to support inclusive and sustainable growth, especially in a world where there is a rising sense of inequality and growing recognition of the urgent need to tackle climate change.

In green, social and sustainable bond issuances by Santander, the issuer is fulfilling its purpose acting in a responsible way collaborating to address the challenges of economic growth, social welfare and environmental protection, fulfilling its mission, serving shareholders and benefiting society as a whole.

As part of its commercial activity, Santander also offers a wide range of products and services with social and/or environmental added value, described in the Responsible Banking Chapter of the Annual Report. Among other things, these products provide access to financial services for low-income groups, socially responsible investment, and financing of renewable energies and environment-friendly products.

[Santander’s Sustainability policy](#)¹ defines the general guiding principles of Santander Group regarding sustainability, based on the best practices included in international conventions and protocols, codes of conduct and internationally relevant guides with special attention to the United Nations Sustainable Development Goals (SDGs). Santander’s Sustainability policy is available at the corporate website (www.santander.com).

¹https://www.santander.com/csgs/Satellite/CFWCSancomQP01/en_GB/pdf/General_Sustainability_policy_14122017_en.pdf

The Global Sustainable Bonds Framework (Programme) sets out the guidelines for Santander's Green, Social and Sustainable Bonds issuances in accordance with the four core components of the Green Bond Principles issued by the International Capital Market Association (ICMA). Recognizing potential future evolutions of Green, Social and Sustainable Bonds guidelines, Santander will strive to be in line with the best market practices at the time of each green, social and Sustainable Bonds issuance.

3. Rationale for Santander's Global Sustainable Bonds Framework

Santander's commitment to an inclusive and sustainable growth and to the transition to a low carbon economy is materialized through various financial products and services, with special focus on the financing of renewable energy projects, where we are one of the leading banks worldwide by business volume.

Santander's mission require it to promote and encourage best management practices which contribute to a sustainable business fabric in line with the SDGs. By adhering to these standards, Santander positions itself amongst the leading banks in the drive towards sustainable and responsible financing.

In this line, Santander has developed this Global Sustainable Bonds Framework in line with the Green and Social Bond Principles 2018 and its four core components as well as its recommendation for External Review.

This Global Sustainable Bonds Framework enables the issuance of Green Bonds, Social Bonds and Sustainable Bonds that align the finance-raising activities with the sustainable development imperatives and missions of our organization.

4. Goals and applicable principles

The Green Bond Principles "GBP", the Social Bond Principles "SBP" and the Sustainability Bond Guidelines "SBG", collectively "The Principles", enable capital-raising and investment for new and existing projects with environmental and/or social benefits.

The GBP, SBP and SBG, published by the Principles' secretariat ICMA, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond and Social Bond markets by clarifying the approach for issuance of these Bonds. The Principles are intended for broad use by the market: they provide issuers guidance on the key components involved in launching a credible Green Bond, Social Bond or Sustainable Bond; they aid investors by ensuring availability of information necessary to evaluate the environmental or social impacts of their Green Bond

and Social Bond investments; and they assist underwriters by moving the market towards expected disclosures that will facilitate transactions.

Santander has the availability to issue three types of bonds, Green Bonds, Social Bonds or Sustainable Bonds that can be issued under this Program:

1. Green Bonds address environmental sustainability. Proceeds of loans allocated should be applied to projects or companies which constitute a positive contribution to reduction of climate change effect (CO₂ emissions) or other environmental challenges (eg biodiversity, waste, water, solar, efficiency) through clean energy production, energy savings, or other type of actions, aiming at reducing the carbon emissions.

2. Social Bonds address social sustainability challenges through contributions to economic systems key to human development (education, healthcare, social development, social housing) that could potentially seek to benefit people who live and work in economically and/or socially disadvantaged areas or communities. Support to SMEs, local authorities and non-profit organizations that seek to benefit people who live and work in areas as defined above.

3. Sustainable Bonds instruments where the proceeds will be exclusively applied to finance or re-finance (new or existing) a combination of both Green and Social projects.

4.1 Use of Proceeds

Santander guarantees to set up and update from time to time the criteria and the list of eligible assets.

The net proceeds of the bond issuances will be used to finance and refinance eligible assets, which are expected to contribute to climate change mitigation, transition towards low-carbon energy, social and sustainable projects in healthcare, education or SME financing.

Santander will quantify the objectives and expected benefits of the eligible assets that will be financed or refinanced by the bond issuance.






In addition, the eligible assets categories will be aligned with the United Nations Sustainable Development Goals.

The refinancing share of eligible assets won't exceed 50% during the term of the bonds that will be issued and will be communicated and reaffirmed in the Use of Proceeds section of the Bond Framework. In the same line, categories and sub-categories of existing or future eligible assets will be well defined and explained under every specific Bond Framework.

Santander commits in case of refinancing of eligible assets, a lookback period of maximum 36 months from the Bonds' issuance date.



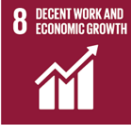

Santander’s eligible assets are or will be located in Europe, the United States and Latin America.

Green eligible categories

Category - SDG	Description*
Energy efficiency 	<ul style="list-style-type: none"> • Energy savings and consumption. • Contribution to climate change mitigation. • Green buildings: In order for green building financing to be included the asset must possess environmental certification.
Renewable energy 	<ul style="list-style-type: none"> • Renewable energy production, sources: wind, solar, biogas, biomass, thermal, hydro. • Manufacture of components of renewable energy technology: wind turbines, solar panels, etc. • Transmission and distribution projects when connecting to defined energy assets.
Sustainable Water Manag. 	<ul style="list-style-type: none"> • Contribute to access to safe and affordable drinking water • Recycling of water and pollution prevention and control • Aquatic biodiversity conservation
Sustainable Waste Manag.  	<ul style="list-style-type: none"> • Water collection, treatment, recycling, re-use, etc. • Contribute to hygiene and access to adequate and equitable sanitation • Recycling of waste and pollution prevention and control

* Green Eligible Categories may include other projects in accordance with any update of the ICMA Green Bond Principles at any time.

Social eligible categories

Category - SDG	Description*
Healthcare 	<ul style="list-style-type: none"> Hospitals financing, medical equipment and healthcare technologies
Education 	<ul style="list-style-type: none"> Education, primary and secondary schools, Universities, training programs, scholarships, etc.
SME financing 	<ul style="list-style-type: none"> Contribute to access to decent work and economic growth. Facilitate job conservation or creation, revitalize economically depressed areas and reduce poverty. Access to banking in underserved populations
Affordable housing 	<ul style="list-style-type: none"> Access to adequate, safe and affordable housing for excluded and/or marginalized population or communities.

* Social Eligible Categories may include other projects in accordance with any update of the ICMA Green Bond Principles at any time.

Every new bond issuance will have and will be defined under a specific Bond Framework that will be subject to external review and a second party opinion.

4.2 Project evaluation & selection

Santander has established a Sustainable Bond Steering group (please see Governance Section 5), made up of senior directors and managers with responsibility for governing the Santander Global Sustainable Bonds Framework.

The Sustainable Bond Steering group consists of representatives from the areas of Financial Management (IR and Funding), Sustainability, Risk and Corporate & Investment Banking. The Sustainable Bond Steering group will review all new proposed and existing use of proceeds to determine compliance with the Global Sustainable Bonds Framework.

Business teams will perform a feasibility report prior to investment based on internal guidelines and policies.

Risk and compliance teams will approve and ensure they are managed in accordance with the defined risk appetite and limits defined and in compliance with Santander's policies.

Once the risk departments have approved the proposal from the business teams, Santander Sustainable Bond Steering group will decide their eligibility for the purpose of the Green, Social or Sustainable Bonds, reviewing all new proposed and existing use of proceeds to determine compliance with the Global Sustainable Bonds Framework and will become part of the asset portfolio.

Santander follows the following evaluation process to select the assets:

- Project selection: Santander commits to ensure that all eligible projects comply with the sustainability policies, including the General Sustainability Policy, the Environmental Policy, as well as other standards Santander adheres to (i.e. Equator Principles, UN Global Compact), and that are not subject to any major controversy. The process will be coordinated by the Steering Group on a regular basis, and implies the participation of the different units involved in the projects.
- Project evaluation: Once an opportunity has been originated, the typical (abridged) process for reaching financial close and disbursement of the debt is the following:
 - I. General discussions about the project and financial structure with the sponsors and/or their advisers. Negotiation of the commercial and legal terms.
 - II. Appointment of external advisers (typically: technical, legal, insurance, model audit, tax and market).
 - III. Preparation of the loan application, in light of the analysis of the transaction, including due diligence reports, financial model, information memorandum, and the rest of available information.
 - IV. Credit committee decision after thorough review of the credit team and exchange of questions with the origination teams and including social, environmental and reputational checks through the task force created for that purpose and the application of Equator principles. The credit committee process depends on the geography of the project and proposed lending amounts.
 - V. Documentation process after credit approval, where the credit agreements are negotiated with the different counterparties.
 - VI. Signing of the financing documents and availability of the debt upon confirmation of the precedent conditions set out in the contracts.

The process mentioned above responds to Santander's model of three lines of defence. According to this model, the business functions or activities that create or generate exposure to a risk are the first line of defense. The acceptance or generation of risk in the first line of defense should fit with the risk appetite and limits defined and with the sectorial policies.

The second line of defense consists of the risk control and oversight function and the compliance function. This line vouches for effective control of risks and ensures they are managed in accordance with the defined risk appetite and limits defined and with the sectorial policies.

Sectorial Policies were implemented throughout the Group by creating social-environmental & reputational risk task forces in the main geographies where Banco Santander operates. These groups were created using the same format as the corporate task force, which includes all the functions which take part in the origination, review and decision making, including the sustainability function, so as to have a common understanding and opinion about the transactions and customers affected by policies.

First line of defense may identify potential controversies around the loans subject to the sectorial policies. The Task force on social-environmental & reputational risk will decide on them when they were escalated.

In addition to the above, Santander Group has also applied 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.

Once the projects become eligible assets they will be monitored in order to assure they continue to be compliant with the above rules. Specifically, in the event that the Steering Group (see section 5.4 on Governance) becomes aware of any social or environmental controversy related to any of the eligible assets existing or futures for the Bond, the Steering Group may decide to exclude that project from the list of eligible assets of this issuance.

Internal audit is the third line of defense. As the last layer of control in the Group, it regularly assesses policies, methods and procedures to ensure they are appropriate and are being implemented effectively.

Santander will include new projects selection criteria and due diligence process depending on the nature and typology of the new projects, that will be defined under the specific Bond Framework.

4.3 Management of Proceeds

The intention of the issuer is to allocate the net proceeds of the Green, Social and Sustainable Bonds within 36 months after its settlement.

In the case that refinanced assets are replaced there will be an ad hoc report for investors to inform them about the replacement of the asset and there will be external verification of compliance with this framework. The issuer may replace assets in the pool, for example due to early repayment of loans. In this event, preference will be given to replacement with other assets from the eligible categories

If proceeds cannot directly be allocated to eligible assets, the proceeds will be held in accordance with Santander's normal liquidity management policy.

The amount and composition of the bonds asset portfolio will be monitored once per semester **by the Sustainable Bond Steering Group (please see Governance Section 5)** to account for new drawdowns and/or repayments of assets, to monitor compliance with the aforementioned use of the proceeds policies and sectorial policies.

In addition to internal governance procedures, the management of proceeds, will be also audited on a yearly basis by the Issuer's financial auditor (see detail of the mandate in Section 6.5 External review). Depending on the level of changes within the management of proceeds, it could also be yearly evaluated by an independent second party opinion.

Upon settlement of the Bond, the net proceeds are credited to the bank's treasury account, and incorporated into its liquidity pool. There is no specific allocation of funds, yet the Issuer will ensure that the equivalent amount of funding to that raised in the offering will be used to fund outstanding qualifying projects described below and / or will be made available to finance the growth of the Issuer's financing activity in such fields. While awaiting investment in such projects, the proceeds will be integrated into the Bank's liquidity reserve, composed of cash, Spanish Government securities, securitizations and covered bonds, and will not be invested in loans to clients who participate in several activities listed above, and which are explicitly excluded from the bank's regular lending policies.

4.4 Reporting

To enable investors to follow the development of the Bonds and provide insight into prioritized areas, Santander will report annually during the life of the bond via its annual report –in its Responsible Banking chapter, which will be published via www.santander.com.

- The amount of proceeds allocated to the eligible assets and amounts pending allocation, and the list of eligible assets in line with confidentiality practices, with their related summary description :
 - Type of asset (Green, Social, Sustainable...),
 - Date of entry into service, localization, outstanding loan of the Eligible Asset,
- Information on the environmental impacts of the eligible assets and adapted indicators for each eligible project. The impacts will be measured and defined in every specific Bond Framework.
- The indicators will focus on eligible assets allocated prior to December 31st each year.
- All the assets data will be anonymized for confidentiality reasons.
- Green, Social or Sustainable Bonds information will be externally verified by the financial auditor assuring compliance with this Global Sustainable Bonds Framework.

The information will include the aggregate amount allocated to the various eligible asset categories, from each sector, remaining balance of funds, which have not yet been utilized, share of re-financing versus new financing.

Santander's Funding team (within the Financial Division) will track and report on proceeds disbursements to the Sustainable Bond Steering Group, until all net proceeds are allocated.

The Sustainable Bond Steering Group will consolidate all the data and transfer it to the Sustainability business unit, who will be responsible for creating the Sustainable Bond's impact reporting, which will be included in the annual corporate Sustainability Report.

4.5 External reviews

Santander's Green, Social and Sustainable Bonds issuances are supported by external reviews and will be defined in the specific issuance frameworks.

5. Governance

Santander has constituted a Sustainable Bond Steering Group, a key governance forum for the Sustainable Bond activities. It ensures the alignment of the Bond issuances with the Green and Social Bond Principles 2018 of ICMA, with the principles and framework evaluated by Vigeo at the moment of the issuance of the Bond and with the best practices in the green, social and sustainable bond market. It will promote other green, social and sustainable financial instruments aligned with the Responsible Banking strategy of the Santander Group.

Role of the Sustainable Bond Steering Group

- Review and validate the pool of eligible assets (see section 2 for details of the assets evaluation and selection).
- Validate the annual reporting information and related documents to be included in Santander's annual report; review the appropriate external independent auditors' report and address any issues arising; and,
- Monitor on-going evolution of the green, social and sustainable bond market practices.

Members

- Committee chaired by the Head of Sustainability at Banco Santander S.A.
- Current members: Sustainability function, Funding and IR functions, Corporate & Investment Banking, Risks and any other team deemed necessary to participate.

Frequency

- The Sustainable Bond Steering Group shall meet at least twice per year.

Decision rules

- Decisions shall be approved by a majority of those present, and in the event of a tied vote the Chairman of the Sustainable Bond Steering Group will have a casting vote.

