

H1'24

ESG

# Towards a more sustainable world



## Important Information

### Non-IFRS and alternative performance measures

This document contains financial information prepared according to International Financial Reporting Standards (IFRS) and taken from our consolidated financial statements, as well as alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015, and other non-IFRS measures. The APMs and non-IFRS measures were calculated with information from Grupo Santander; however, they are neither defined or detailed in the applicable financial reporting framework nor audited or reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider them to be useful metrics for our management and investors to compare operating performance between periods. APMs we use are presented unless otherwise specified on a constant FX basis, which is computed by adjusting comparative period reported data for the effects of foreign currency translation differences, which distort period-on-period comparisons. Nonetheless, the APMs and non-IFRS measures are supplemental information; their purpose is not to substitute IFRS measures. Furthermore, companies in our industry and others may calculate or use APMs and non-IFRS measures differently, thus making them less useful for comparison purposes. APMs using ESG labels have not been calculated in accordance with the Taxonomy Regulation or with the indicators for principal adverse impact in SFDR. For further details on APMs and Non-IFRS Measures, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2023 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the SEC) on 21 February 2024 (<https://www.santander.com/content/dam/santander-com/en/documentos/informacion-sobre-resultados-semestrales-y-anales-suministrada-a-la-sec/2024/sec-2023-annual-20-f-2023-en.pdf>), as well as the section "Alternative performance measures" of the Banco Santander, S.A. (Santander) Q2 2024 Financial Report, published on 24 July 2024 (<https://www.santander.com/en/shareholders-and-investors/financial-and-economic-information#quarterly-results>). Underlying measures, which are included in this document, are non-IFRS measures.

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the businesses included and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

### Non-financial information

This document contains, in addition to financial information, non-financial information (NFI), including environmental, social and governance-related metrics, statements, goals, commitments and opinions.

NFI is included to comply with Spanish Act 11/2018 on non-financial information and diversity and to provide a broader view of our impact. NFI is not audited nor reviewed by an external auditor. NFI is prepared following various external and internal frameworks, reporting guidelines and measurement, collection and verification methods and practices, which are materially different from those applicable to financial information and are in many cases emerging and evolving. NFI is based on various materiality thresholds, estimates, assumptions, judgments and underlying data derived internally and from third parties. NFI is thus subject to significant measurement uncertainties, may not be comparable to NFI of other companies or over time or across periods and its inclusion is not meant to imply that the information is fit for any particular purpose or that it is material to us under mandatory reporting standards. NFI is for informational purposes only and without any liability being accepted in connection with it except where such liability cannot be limited under overriding provisions of applicable law.

### Forward-looking statements

Santander hereby warns that this document contains "forward-looking statements" as per the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements can be understood through words and expressions like "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RoRAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future", "commitment", "commit", "focus", "pledge" and similar expressions. They include (but are not limited to) statements on future business development, shareholder remuneration policy and NFI.

While these forward-looking statements represent our judgement and future expectations concerning our business developments and results may differ materially from those anticipated, expected, projected or assumed in forward-looking statements.

In particular, forward looking statements are based on current expectations and future estimates about Santander's and third-parties' operations and businesses and address matters that are uncertain to varying degrees and may change, including, but not limited to (a) expectations, targets, objectives, strategies and goals relating to environmental, social, safety and governance performance, including expectations regarding future execution of Santander's and third-parties' (including governments and other public actors) energy and climate strategies, and the underlying assumptions and estimated impacts on Santander's and third-parties' businesses related thereto; (b) Santander's and third-parties' approach, plans and expectations in relation to carbon use and targeted reductions of emissions, which may be affected by conflicting interests such as energy security; (c) changes in operations or investments under existing or future environmental laws and regulations; (d) changes in rules and regulations, regulatory requirements and internal policies, including those related to climate-related initiatives; (e) our own decisions and actions including those affecting or changing our practices, operations, priorities, strategies, policies or procedures; and (f) the uncertainty over the scope of actions that may be required by us, governments and others to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and governmental standards and regulations.

In addition, the important factors described in this document and other risk factors, uncertainties or contingencies detailed in our most recent Form 20-F and subsequent 6-Ks filed with, or furnished to, the SEC, as well as other unknown or unpredictable factors, could affect our future development and results and could lead to outcomes materially different from what our forward-looking statements anticipate, expect, project or assume.

Forward-looking statements are therefore aspirational, should be regarded as indicative, preliminary and for illustrative purposes only, speak only as of the date of this document, are informed by the knowledge, information and views available on such date and are subject to change without notice. Santander is not required to update or revise any forward-looking statements, regardless of new information, future events or otherwise, except as required by applicable law. Santander does not accept any liability in connection with forward-looking statements except where such liability cannot be limited under overriding provisions of applicable law.

### Not a securities offer

This document and the information it contains does not constitute an offer to sell nor the solicitation of an offer to buy any securities.

### Past performance does not indicate future outcomes

Statements about historical performance or growth rates must not be construed as suggesting that future performance, share price or results (including earnings per share) will necessarily be the same or higher than in a previous period. Nothing in this document should be taken as a profit and loss forecast.

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# 01

ESG strategy

## What makes us different

### Financial Inclusion

Awarded Best Bank for Financial Inclusion in 2023 by Euromoney

### Decarbonization

Net-zero decarbonization targets as founding members of the NZBA



### Green Finance

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

### Governance

Best practices and robust board composition

# ESG strategy | Our approach

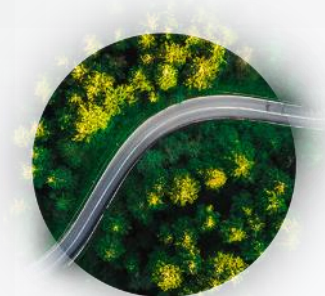


As a responsible bank we place **sustainability at the centre of our core activities** to deliver on our purpose of helping people & business prosper



## Our vision

is to play a major role in the transition to a low carbon economy, supporting inclusive & sustainable growth and considering 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



## 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 2023



Principles for Responsible Banking, Founding Member 2019



Signing member 2009



Highest score in the Spanish Association for Standardization and Certification's (AENOR) Good Corporate Governance Index

# ESG strategy | Our approach

## Our Sustainability strategy

### Ambition

E



**Support the transition to a low-carbon economy**

S



**Promote inclusive growth**

G



**Strong governance and culture across the organization**

### Actions

- » Support and engage with customers in accelerating their transition and develop a best in-class sustainable finance and investment proposition.
- » Progress with decarbonizing our portfolios to align to net-zero by 2050, while considering other environmental goals.
- » Promote employees' wellbeing and equal treatment and opportunity for all.
- » Support financial inclusion by promoting access to financial products and services and financial health, including financial literacy.
- » Foster customer information transparency and data privacy.
- » Support education, employability and entrepreneurship.
- » Drive culture, conduct and ethical behavior, doing everything the Santander Way: Simple, Personal and Fair.
- » Continue integrating ESG in governance and our core activities, and enhancing capabilities across teams including business, risk management and data reporting



# ESG strategy | Our journey



Our journey over the past years highlights our 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

- » 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)

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

- » Setting 2 new decarbonization targets for 2030 for corporate auto manufacturing and auto lending portfolio in Europe.
- » Disclosure of financed emissions for UK Mortgages and Agriculture in Brazil.

2023



# ESG strategy | Targets

→ From...to... ■ Accumulated ✓ Target achieved

We have set targets in those areas where we have the greatest potential impact.

	2018	2019	2020	2021	2022	2023	H1'24	2025/2030 target
<b>Electricity</b> from renewable sources <sup>1</sup>	43%	50%	57%	75%	88%	97%	97%	100% by 2025
<b>Green finance</b> raised and facilitated (€bn) <sup>3</sup>	19	33.8	65.7	94.5	115.3	123.4		120bn by 2025 220bn by 2030
AuMs in <b>Socially Responsible Investments</b> (SRI) (€bn)			27.1	53.2	67.7	74		100 bn by 2025
Thermal <b>coal</b> related power & mining phase out (€bn)			7	5.9	4.9			0 by 2030
Emission intensity of <b>power generation</b> portfolio	0.21	0.17	0.19					0.11 tCO <sub>2</sub> e / MWh in 2030
Absolute emissions of <b>energy (oil &amp; gas)</b> portfolio	23.84	22.58	27.43					16.98 mtCO <sub>2</sub> e in 2030
Emissions intensity of <b>aviation</b> portfolio	92.47	93.05	97.21					61.71 gCO <sub>2</sub> e / RPK in 2030
Emissions intensity of <b>steel</b> portfolio	1.58	1.40	1.36					1.07 tCO <sub>2</sub> e / tS in 2030
Emissions intensity of <b>auto manufacturing</b> portfolio			149	138				103 gCO <sub>2</sub> /vkm in 2030
Emissions intensity of <b>auto lending</b> portfolio <sup>4</sup>					137			75-89 gCO <sub>2</sub> e/vkm in 2030

1. In countries where we can verify electricity from renewable sources at Banco Santander properties. It considers the 10 main countries in which we operate. 2. Scope 1 and 2 emissions and scope 3 emissions from employee commuting and business travel. It considers wholly owned companies in Argentina, Brazil, Chile, Germany, Mexico, Poland, Portugal, Spain, the United Kingdom and the United States. 3. Preliminary data as final League Tables for 2023 were not yet available at the date of editorial closing. CIB contributed EUR 20.2 billion to the green finance target, including EUR 5.6 bn in Project Finance; EUR 2.8 bn in financial advice; EUR 5.8 bn in green bonds (DCM); EUR 0.2 bn in export finance (ECAs); and EUR 5.8 bn in M&A, according to Dealogic, Infralogic, TXF and Mergermarket league tables. In 2023 there was no significant contributions from ECM and Project bonds. This refers to all roles undertaken by Banco Santander in the same project. It does not include financial inclusion and entrepreneurship. Green Finance raised and facilitated is not a synonym of EU Taxonomy. Please refer to specific section on EU taxonomy-related requirements for further details in this regard. This information will be updated to year end in the next Climate Finance Report. 4. Consumer lending for acquisition of passenger cars, covering a significant majority of the exposure in Europe.

✓ Commitment achieved  
--> Cumulative target

# ESG strategy | Our different achievements

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



**2.8 mn**

Financial inclusion (#People)<sup>1</sup>



**#1 bank worldwide**

by number of deals in  
renewable project finance<sup>2</sup>



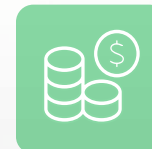
**€123.4 bn**

of Green Finance mobilized  
since 2019



**3 Green bonds**

issued since 2019 for an  
amount of €1 bn each



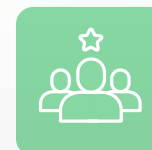
**>€1.1 bn**

Disbursed to support microentrepreneurs in  
2023



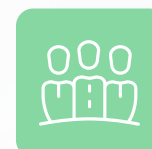
**97%**

of electricity used from renewable  
resources already



**€6.5 bn**

in the financing of electric vehicles under  
our consumer businesses in 2023



**66.6%**

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



We are relying on different 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	02		<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></ul>
	EU Taxonomy	Fostering sustainable activities	03		
	UN Sustainable Development Goals	Tackling global challenges to support inclusive growth	04		
	TCFD	Increase transparency and efficiency through governance	05		

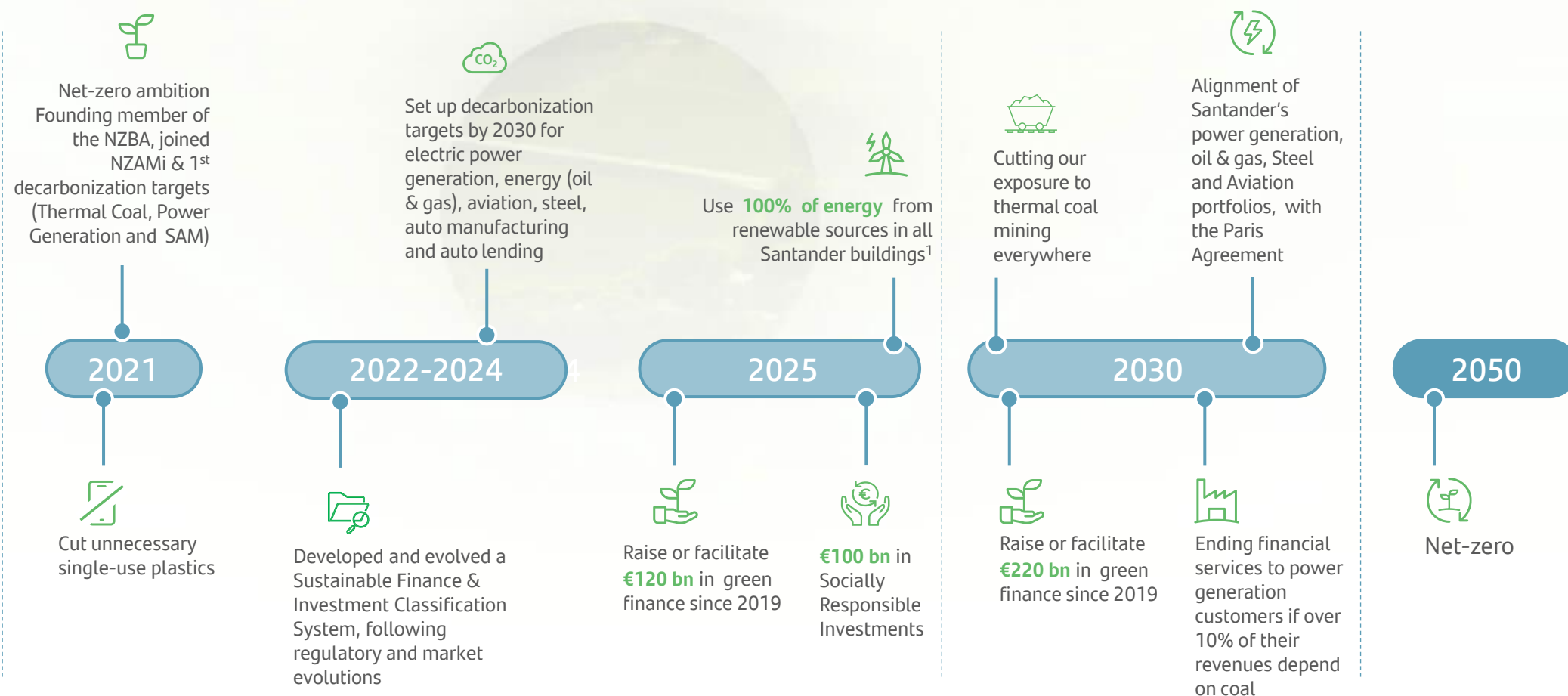


# 02

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 continue to compensate the emissions from our own operations (S1+2) we're unable to reduce. Regarding Scope 3 emissions, our current focus is reducing them.



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



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



We will continue reducing the impact we have on the environment



# Decarbonization Targets | Mitigating levers

## Policy

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<sup>1</sup>.

## Risk Appetite

We **set risk appetite limits** on sectors with decarbonization targets, tiering customers according to the degree of alignment with our ambition and the quality of their transition plans.

## ESG Panels

**Several panels of ESG** experts were put in place during 2023 to analyse and challenge the proposed classification under sustainability criteria, fully aligned with the SFICS (Sustainable Finance and Investment Classification System).

## Further Actions

- » **Credit committees**, embed environmental, social and climate change factors in transaction review.
- » **CIB customer ratings** consider environmental, social and climate change qualitative assessments for climate sectors.
- » **Customer engagement** in the most relevant sectors, helping clients in their transition, with tailor-made solutions.
- » **Multi-disciplinary working group on ESG controversies**, coordinated by the Reputational risk function.

# Decarbonization ambition | Fossil fuel financed



Our ratio of financed fossil fuels to total financing (including lending, underwriting of corporate bonds, government bonds, and equity issuances) is one of the lowest among all reviewed banks

Source: The Banking on Climate Chaos: Fossil Fuel Finance Report 2023

## Ranking by fossil fuels financed

Rank	Mandated Arranger	Fossil fuels financed in 2022 (Billion \$)	Fossil fuels financed over total financing 2022
1	Bank 1	40,626	13%
2	Bank 2	39,240	5%
3	Bank 3	37,399	7%
4	Bank 4	35,467	4%
5	Peer 1	33,943	5%
6	Bank 5	29,515	18%
7	Peer 2	29,469	15%
12	Peer 3	20,083	5%
19	Peer 4	11,659	5%
22	Peer 5	11,074	2%
34	Santander	6,640	4%



Santander's fossil fuels financing is more than **6 times smaller than the largest fossil-fuel financing banks.**



# Decarbonization ambition | Progress in our targets



As part of our ambition to reach net-zero carbon emissions by 2050, we prioritize the high-emitting sectors.

We have set decarbonization targets in 7 material sectors within our portfolio.

Sector	Scenario	Emissions	Metric	Baseline	2020 progress	2021 progress	2030 targets
 <b>Power generation</b>	IEA net-zero 2050	Scope 1	tCO <sub>2</sub> e/MWh	0.21* (2019 baseline year)	0.17	0.19	0.11 (-46%)
 <b>Energy (Oil &amp; Gas)</b>	IEA net-zero 2050	Scope 1 + 2+3 <sup>1</sup>	mtCO <sub>2</sub> e	23.84 (2019 baseline year)	22.58	27.43	16.98 (-29%)
 <b>Aviation</b>	IEA net-zero 2050	Scope 1 + 2	grCO <sub>2</sub> e/RPK	92.47 (2019 baseline year)	93.05	97.21	61.71 (-33%)
 <b>Steel</b>	IEA net-zero 2050	Scope 1 + 2	tCO <sub>2</sub> e/tS	1.58 (2019 baseline year)	1.40	1.36	1.07 (-32%)
 <b>Auto manufacturing</b>	IEA net-zero 2050	Scope 3 <sup>1</sup>	gCO <sub>2</sub> e/vkm	149 (2020 baseline year)	149	138	103 (-31%) <sup>2</sup>
 <b>Auto lending <sup>c</sup></b>	IEA net-zero 2050	Scope 1 + 2	gCO <sub>2</sub> e/vkm	137 (2020 baseline year)	N/A	N/A	75-89 (-35-45%)
 <b>Thermal coal</b>	Phase-out targets to eliminate exposure by 2030 to: <ul style="list-style-type: none"> <li>&gt;&gt; Power generation customers with a revenue dependency on coal of over 10%</li> <li>&gt;&gt; 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 **€20 bn and EUR 32 bn CAPEX**

#### Helping clients to transition

##### 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 €120 bn in green finance by 2025 and €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 #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 2013-23

Rank	Mandated Arranger	Vol. (€mn)	Nº
1	Santander	44,512	711
2	Mitsubishi UFJ	39,424	557
3	Sumitomo	34,392	512
4	Société Generale	24,275	394
5	Natixis (Groupe BPCE)	22,222	360
6	Crédit Agricole	21,582	346
7	BNP Paribas	21,570	316
8	Mizuho Bank	20,484	269
9	ING Group	18,297	314
10	Rabobank Group	15,925	283













































Europe & Americas Energy Project Finance Volume and Transactions by MLA FY 2013-23

Rank	Mandated Arranger	Vol. (€mn)	Nº
1	Santander	37,800	708
2	Mitsubishi UFJ	27,650	410
3	Sumitomo	21,566	319
4	Natixis (Groupe BPCE)	17,398	328
5	Société Generale	17,089	310
6	Crédit Agricole	13,009	307
7	BNP Paribas	16,113	264
8	ING Group	13,135	261
9	Rabobank Group	16,382	267
10	KeyBanc Capital Markets	13,250	211

# Green Finance | Green solutions for our individual, SMEs and Corporate customers

Building on our current offering of green products, we continue to strengthen our sustainable finance proposition with dedicated purpose and sustainability linked financing

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

	What we finance	Value proposition 2023	Geographies
 <b>Real Estate</b>	Purchase, construction and renovation of energy-efficient buildings. Renewable power system installation and refurbishment 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>Mobility</b>	Clean transport and infrastructure	Leases and financing of electric and hybrid vehicles (<50 g CO <sub>2</sub> per passenger-km) charging stations, bicycle lanes, and others	          
 <b>Renewables</b>	Renewable energy production and transport. Energy storage	Financing of solar panels, wind farms and battery and storage battery production	       
 <b>Agriculture</b>	Sustainable and protected agriculture. Land and forest conservation. Sustainable farming	Financing of sustainable agriculture practice such as more efficient irrigation systems, machinery and reduced fertilizer use	     
 <b>Waste &amp; Water Management</b>	Activities to adapt to, or mitigate, climate change; preserve biodiversity; and boost the circular economy and waste & water management	Financing of water, waste and soil treatment; greater energy efficiency; lower emissions; and conservation	  
 <b>Circular economy</b>			

# 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

>208.000 Electric cars  
financed: c.€6.5 bn<sup>1</sup>

This equals a market share of EV  
sales in Europe of over 10%

- » 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 cards
- » Green fashion
- » Retrofit



## Santander España Sustainable product proposition

### Financial offer Corporates & individuals

- » Green Loans for dedicated purposes across 5 verticals
- » Sustainability Linked Loans
- » Green mortgages
- » Green consumer loans for retrofitting works or energy efficiency, green vehicles...
- » Loans for the installation of solar panels
- » ECO Renting / leasing mobility

### Non-financial offer

- » Carbon footprint calculation and compensation for individual customers
- » **Sustainable value proposal for Cards** - Digital First (to avoid producing new ones), physical cards with recycled materials, collection of expired cards giving them a 2<sup>nd</sup> life
- » **Homes value proposition:** green mortgages, retrofitting works for energy efficiency, both for individuals' homes and for dwellings
- » **Agreement with CBRE to decarbonize real estate assets** including advisory services, execution of works and financing
- » Platform to help companies manage and benefit from public aid and the NextGen EU funds
- » **Other services** provided include assistance to complete **Non-financial reports and carbon footprint calculator for Corporates**



# Green Finance | Protecting the Brazilian Amazon

**Santander promotes the protection of the Amazon rainforest and its sustainable development.** We were the first private-sector Brazilian bank to develop in 2002 credit analysis that considered environmental and social risks, and the first to formally incorporate a sustainability rating into the credit score of corporate clients in 2016.

**Collective action is critical to enable a sustainable transition in the beef sector.** In 2023 Febraban approved a new voluntary standard<sup>1</sup> reflecting the alignment amongst 22 banks towards financing beef processing clients. Under this commitment, banks will require beef processing clients with slaughterhouses to end illegal deforestation by December 2025<sup>2</sup>.

## Actions taken:

- » Loan requests by farmers & ranchers are checked for embargoes related to illegal deforestation
- » Annual review of client's practices (>2,000 clients), including beef processors, soy traders and logging companies
- » Founders of The Round Table on Responsible Soy (RTRS) and the Brazilian Roundtable on Sustainable Livestock



- » As part of its credit approval for loans to farmers and ranchers, Santander works with a satellite-imaging. 12,000 properties were monitored<sup>3</sup> in Dec-23
- » For corporate clients in Brazil, Santander has processes and controls that consider if our clients are legally compliant and have good practices
- » First bank in Brazil to require native-species lumber companies to have the Forest Stewardship Certification (FSC) to become clients, as well as the RSPO (Round Table on Sustainable Palm Oil) and RTSR certifications





# 04

## Financial Inclusion & Community support

# Financial Inclusion & 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

**13.6 mn**

People financially included since 2019

**€1.1 bn**

Raised to help microentrepreneurs in 2023

**€174 mn**

Invested in communities

**€69 mn**

In other programs with 2.2 mn people helped



# Financial Inclusion & Community support

## We have different initiatives to support Financial Inclusion

### Access

#### Promoting access to cash and transactions

We aim to ensure underserved communities can get cash anywhere, through our remote branches and agreements with private and state-run entities that widen our footprint

Branches in underbanked and remote regions<sup>1</sup>



Partnerships to reach underserved communities<sup>2</sup>



#### Promoting digital access

We help people access the banking system so they can make payments; use basic, tailored financial services; take greater control of their finances; and make faster and more secure transactions

Digital wallets and points of sale<sup>3</sup>



Basic accounts<sup>4</sup>



#### Financial solutions for vulnerable groups

We offer financial support to vulnerable groups so customers will have access to basic products and know how to use them

Support to senior citizen customers<sup>5</sup>



### Finance

#### Microfinance

We promote social mobility and help low-income and underbanked entrepreneurs set up and grow businesses

Microfinance programs



**Supporting customers in financial distress** We have debt relief programs that include payment deferrals and line of credit extensions

Supporting customers in financial distress<sup>6</sup>



**Financing low-income households' basic needs** We offer products and services that enable low-income households to access housing and meet other basic financial needs

Affordable housing supply<sup>7</sup>



Credit support for low-income households/people with difficulty getting credit<sup>8</sup>



1. In Spain, branches in remote (or sparsely populated) areas to facilitate access to credit and combat social exclusion in communities of less than 10,000 inhabitants. In Portugal, branches in low-income, small or isolated regions, such as the Azores and Madeira. In Argentina, we have financial inclusion branches and remote agents in the marginal environment of Buenos Aires and vulnerable communities. In Poland, ATMs in municipalities where there is no Santander branch or partner point of sale. In Uruguay, 3 mobile branches have been installed in the country since 2020 to reach areas with low levels of banking penetration. 2. Agreements with Correos Cash in Spain, partnerships with retailers such as Oxxo or 7Eleven in Mexico, and agreements with third parties in Uruguay (e.g. Abitab, Red Pagos). 3. In Poland, we included the Cashless Poland programme to promote the use of payment terminals in localities where the use of digital media is low and the use of our associated Partners Outlets. In Chile we included Mas Lucas. 4. In some countries, we have basic bank accounts that go beyond regulation in order to serve the bottom of the pyramid. For example, the Cuenta Life in Chile or the no-fee account for vulnerable customers in Spain. 5. In several countries we have value propositions aimed at the elderly. For example, tailor-made products for retirees in Mexico and Argentina, services such as Here & Now in Portugal to help seniors with limited digital skills, or third-party access initiatives in the UK to support seniors who need to be cared for. 6. We have programmes in many countries to help people with debt problems. In Portugal, we have the Iris programme to help customers manage defaults. In the UK, we help vulnerable customers get out of arrears with self-service tools and direct financial assistance, and in Spain, we have financing programmes for vulnerable groups to relieve their mortgage debts. 7. In Spain, the bank participates in the Social Housing Fund, which facilitates renting for people on low income. It also has affordable rental housing. In the US, as part of its Inclusive Communities plan, Santander provides low-interest mortgages and mortgage insurance for low-income homebuyers. 8. We have initiatives to help groups with difficulties in accessing credit; among them, in Spain, we lend to SMEs at their risk limit; in the US, we lend to small businesses operating in low- and moderate-income communities; in Argentina, we lend to entrepreneurs with low credit histories. In Mexico, special credit programmes are offered to people at the bottom of the pyramid.



# Financial Inclusion & Community support

## Key initiatives

We are proud to have developed financial inclusion initiatives that have been successfully implemented in the LATAM region

**SURGIR**  
Santander Microfinanzas

**prospera**  
Santander

**tuiio**  
FINANZAS DE TÚ A TÚ  
Santander

Prospera is one of the largest microfinance programs 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 to promote social inclusion in Colombia and Peru (where the programme is named Surgir) in 2021, with the following figures as of December 2023<sup>1</sup>

**>1.014 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 2023

**>157 mn**

€ of funding  
disbursed

**>121 k**

Microentrepreneurs  
helped

# Financial Inclusion & Community support

## Community support - Higher Education, employability and entrepreneurship

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



1,238

Partner universities and academic institutions in 26 countries<sup>A</sup>

95

Scholarships for university students with disabilities

2

Entrepreneurship  
Santander X program



We support entrepreneurship by helping small business owners and SMEs. We provide access to the training, advice and resources needed to launch and scale up a business.

7,036

Entrepreneurship and business initiatives helped

3

Employability  
Universia portal



538

partner universities and institutions with Universia in 22 countries



# 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	2020	2020	2021	2022	2023	2024
68.5%	65%	60.3%	67.7%	68.7%	67.56%	66.6%



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**
- >> The 2023 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
- >> **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  
processes

## Corporate Governance | Board composition

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 each year)

### Geographical diversity

5

Nationalities: Europe, US, UK, LATAM and Other

### Independent Board members

66.6%

5.33 average years on board

### Women part of the Board

40%

Achievement of our female representation target (40-60%)

## Aligned with our strategic goals

- › To further support the Group's transformation strategy, short-term corporate bonus metrics continue to include strategic priorities released at the 2023 Investor Day, maintaining the focus on clients (with active customers as the main metric), as well as RoTE (which continues to be part of the scheme). The third pillar to be maintained as a metric is capital, outlining the importance of capital generation throughout the business.
- › Long-term targets remained the same with Return on tangible equity (RoTE) growth, relative total shareholder return (TSR) and ESG (environmental, social and governance) metrics.



## Aligned with shareholder interests

- › 50% of all variable remuneration is in instruments (Banco Santander S.A., shares and restricted stock units (RSUs) of PagoNxt, S.L.
- › Share retention policy: 3 years after delivery of shares, unless the director already holds 200% of their annual fixed remuneration in shares
- › 60% of variable remuneration is deferred over a 5-year period with share-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  
(LONG TERM  
INCENTIVES)

## Weights

RoTE	40%
RTSR	40%
ESG	20%

## Equally weighted ESG action lines included

2024-2026

- Women in senior positions
- Financial inclusion
- Socially Responsible Investments
- Business raised and facilitated

Short term  
Scorecard  
2024

## Quantitative 100%

- Transformation 45%
- Capital generation 30%
- Sustainable Profitability (RoTE) 25%

+

## Qualitative assessment weights

- Performance vs Market  $\pm 10\%$
- Network Collaboration  $\pm 5\%$
- Compliance and Risk  $\pm 5\%$
- ESG targets  $\pm 5\%$



# 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, including:

**UNEP Finance initiative.** We are an active member of UNEP FI and a founding signatory to the United Nations Principles for Responsible Banking

**United Nations Global Compact.** We've been part of the Global Compact network since 2002 and a member signatory of the United Nations Global Compact's gender equality programme since 2020

**Glasgow Financial Alliance for net-zero, Net-zero Banking Alliance and Net-zero Asset Management** In support of our net-zero ambition, we joined the Glasgow Financial Alliance for net-zero, net-zero Asset Managers and were co-founders to the Net-zero Banking Alliance. Within GFANZ, we co-led the Net-zero Public Policy and their call to action launched in October

**World Business Council for Sustainable Development (WBCSD).** As a member of WBCSD, in 2023, we continued participating in the Banking for Impact on Climate in Agriculture (B4ICA) initiative

**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

**CEO Partnership for Economic Inclusion et Zero Banking Alliance,** Since 2018 we have been part of a private-sector alliance for financial inclusion, led by Queen Máxima of the Netherlands, Special Representative of the United Nations, to promote inclusive financing for development. The Partnership has concluded by end of 2023





# External engagement & Recognition | ESG Ratings

Rating Agcy.	2022	2023	Evol.
 MSCI	MSCI index AA	MSCI index AA	=
 SUSTAINALYTICS *	22.4	19.7	▲
 CDP	A	A -	~ <sup>A</sup>
 Member of Dow Jones Sustainability Indices <small>Powered by the S&amp;P Global CSA</small>	World & Europe index 83	World & Europe index 80	~ <sup>A</sup>
 ISS ESG	C (55.6)	-	= <sup>B</sup>
 Moody's ESG Solutions	61	65	▲
 FTSE4Good	FTSE4Good Index 4.1	FTSE4Good Index 4.7	▲
 Bloomberg	92.87	-	= <sup>C</sup>

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

### Ratings

- » In 2023, we maintained our position in MSCI (AA) and remain in the DJSI World and European Index for Banks. In CDP we maintained our positioning at Leadership level, however decreased from A to A-.
- » We improved our position in Sustainalytics, scoring 19.7 points (-2.7 points) and placing in the 'low risk' category.
- » We scored 65 points (+4 points) in Moody's and 4.7 points (+0.6 points) in FTSE4Good.

### Awards



World's best bank for financial inclusion by Euromoney for the third year in a row; World's best bank for SMEs and World's best bank for emerging markets by Euromoney



Highest ranked bank on Fortune's list of 50 companies that are changing the world, owing to Santander Universities support for education, entrepreneurship and employability over the past 27 years

A close-up photograph of a person's hands gently holding a tree trunk. The tree bark is dark and textured. A small white square is visible on the palm of the right hand. The background is a soft, out-of-focus green. A semi-transparent white rectangle is overlaid on the left side of the image, containing the word 'Appendix' in white text.

# Appendix



**Begoña Morenés**



Global Head of Investor Relations



bmorenes@gruposantander.com

**Tosin Iduh**



ESG & Market Intelligence



oiduhija@gruposantander.com

# Transparency & Disclosure | Reports and additional information

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

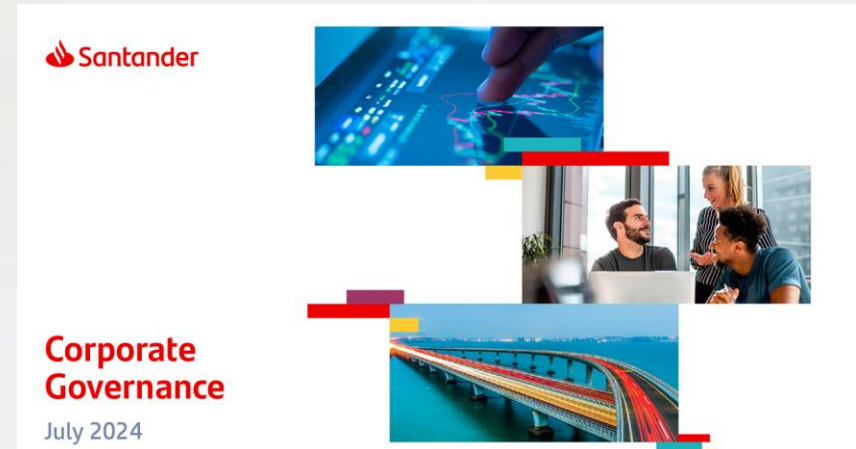
## 2023 Climate Finance report



## 2023 Annual report



## Corporate Governance presentation



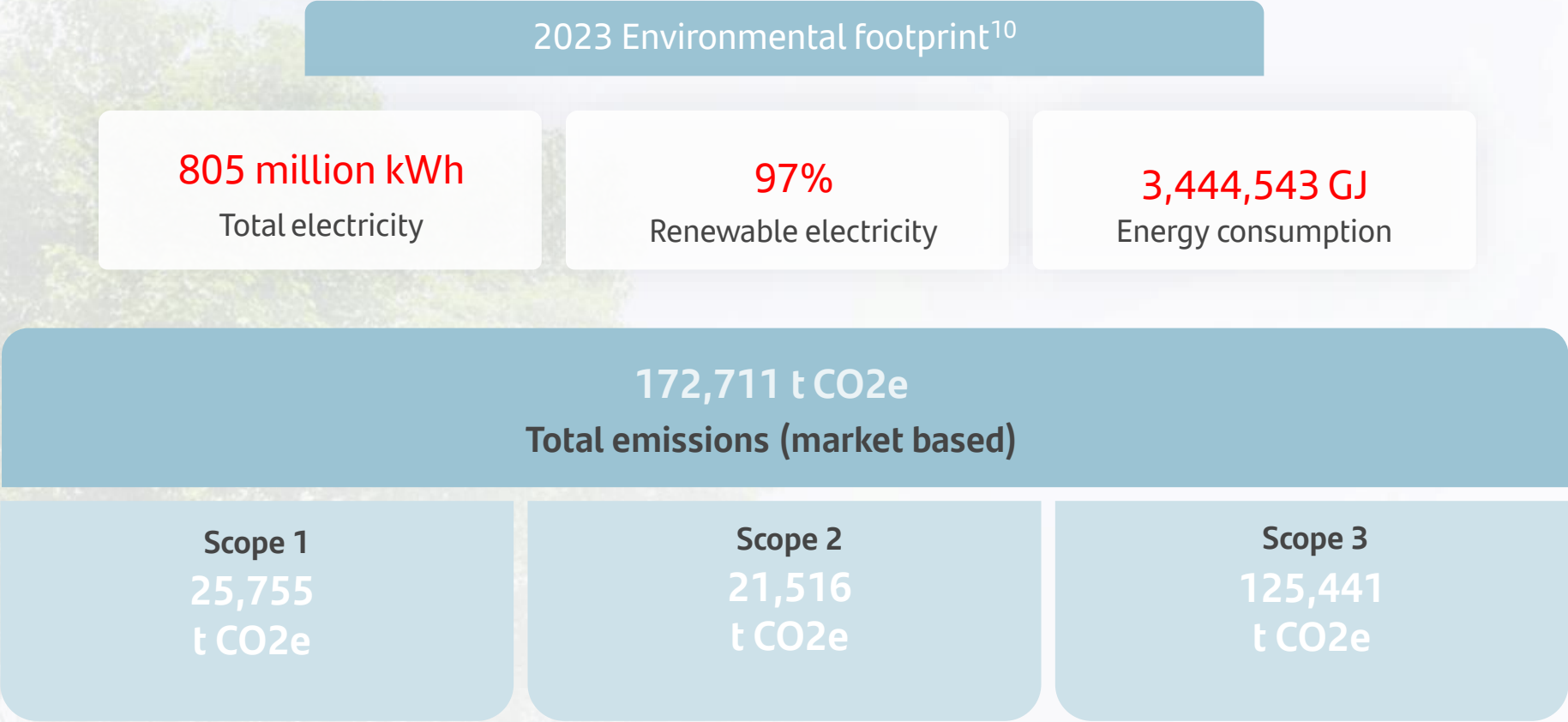
[www.santander.com](http://www.santander.com)

# Santander Climate strategy and four Pillars

## Main areas involved in implementing our climate change strategy



# Environmental footprint | Ensuring we have the lowest possible impact on the environment





# Decarbonization Targets | Current exposure

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

September 2023 (pre-mitigation), EUR billion

	TR	PR	CIB	Other segments
Power (Conventional)	Medium	Medium	28	2
Power (Renewables Project Finance)	Low	Medium	12	0
Oil & Gas	Very High	Moderately low	23	1
Mining & Metals	Very High	Moderately low	14	8
Transport	Medium	Low	28	12
Auto Consumer	Low	Moderately low	0	159
Real Estate	Low	Medium	8	388
Other Climate-related sectors	Agriculture	Medium	2	9
	Construction	Low	17	14
	Manufacturing	Medium	49	26
	Water & Waste	Medium	3	1
<b>Climate Sectors</b>			<b>184</b>	<b>620</b>
Other sectors	Low	Moderately low	58	230
<b>Total portfolio</b>			<b>242</b>	<b>850</b>

■ Low
 ■ Moderately low
 ■ Medium
 ■ High
 ■ Very High



We use materiality assessments, quantitative and qualitative heatmaps, scenario analyses and other tools and techniques to analyze the potential impact of climate and environmental factors on our portfolios.

# 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**

