

# **SANTANDER GROUP GENERAL POLICY**

## **CLIMATE CHANGE AND ENVIRONMENTAL MANAGEMENT POLICY**



**February 2018**

## Santander Group General Policy

### Climate Change and Environmental Management Policy

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#### I. Introduction

Climate Change and resource scarcity are two of the biggest challenges faced by society.

Banco Santander S.A. («Santander, Santander Group») is extremely committed to protecting the environment and to tackling climate change. Santander has direct impact on the environment through the use of natural resources in its internal operations. The Group also has indirect impact via its banking activities.

Santander Group has established this Climate Change and Environmental Management Policy, which is aligned with its Sustainability Policy, with the aim of fomenting protection to the environment and reducing the impact of its activities, products and services.

#### II. Purpose

This document details Santander Group policy regarding the action framework and initiatives to support protecting the environment and reducing the effects of climate change. It was created following best international practices in order to:

- Prevent or minimise the pollution caused by the Bank's activities.
- Consider and assess the impacts that its products and services have and adopt measures in order to reduce or eliminate greenhouse gas emissions.
- Establish management mechanisms that allow an accurate measure of environmental performance and decision making.
- Promote products and services that respect the environment and accompany our clients in the transition to a low carbon economy.
- Raise awareness among employees so they might take measures to protect the environment.
- Promote an action-oriented approach to social awareness related to environmental protection proceedings.
- Participate in international and local initiatives related to the sustainability and environment.
- Inform with transparency to the stakeholders about the position, management, controls and results regarding the environment and climate change in the Sustainability Report, which is audited by an independent external entity.



### III. Scope of application

This policy is made by Banco Santander, SA, as the parent entity of Santander Group, being directly applicable to the Corporation, and is provided to the subsidiaries of the Group as a reference document, establishing the regime to be applied to the matter to which it refers.

The Group entities are responsible for preparing and approving their own internal regulations by their respective governance bodies that allow its application in their scope of the provisions, contained in the Group's rule, with the adaptations that, when appropriate, are strictly essential to make them compatible and to comply with the regulatory requirements, regulations or the expectations of their supervisors.

### IV. Activities

#### a) Internal environmental management

Santander Group promotes management systems based on internationally accepted regulatory standards and driven by the continuous improvement management model (ISO Rules).

The Group calculates measures and controls consumption and emissions of most of its facilities. This allows it to identify critical points that generate bigger environmental impacts. It makes the adoption of more effective prevention measures possible and establishes targets in order to improve environmental management in a systematic manner.

For the consumption, waste and emissions measurement, the Group has developed an information capture and processing system that is audited annually by an independent, external entity. The plan and the reduction targets are outlined in the Sustainability Report.

Regarding internal environmental management, Santander Group makes the following commitments:

- Meet the regulatory requirements and other requirements that are related to Santander's activities, products and services.
- Promote continuous improvement of its management systems in order to improve environmental performance.
- Establish work guidelines and control mechanisms to ensure environmental protection and pollution prevention.
- Communicate the policy to employees and society and establish with its stakeholders communication channels related to environmental topics.

## b) Banking and financial activity

The challenge posed by climate change and regulatory demands afford Santander Group the possibility to identify business opportunities in retail and commercial banking, wholesale banking, private banking, asset management and insurance. These business opportunities further demonstrate the Bank's commitment to sustainability and ability to help economic growth while respecting the environment. For example:

- Financing renewable energy: sector in which the Bank is a world leader.
- Financing of energy efficiency initiatives.
- Specific products and services for agriculture and livestock.
- Financing electrical, hybrid and low-emission vehicles.
- Financing infrastructure related to integral water cycle management and integral waste management.
- Products and services related to sustainable building.
- Participation in carbon markets.
- Development of specific insurance for the agricultural and livestock sectors to cover adverse weather and other natural risks.
- Funds for responsible investment.

In order to analyze the opportunities, risks and challenges from the environmental management and the effects of climate change, Santander Group has two specific work forces:

- Task force responsible for social, environmental and reputational risk: it assesses the reputational risk stemming from any financial transaction with a social or environmental impact and issues non-binding recommendations to the relevant decision-making body. This task force is chaired by the Group Chief Compliance Officer.
- Climate Finance Task Force: its objective is to identify the risks and opportunities of climate change and the low carbon economy and to help formulate Santander's strategy in this field.

The subsidiary entities, in accordance with the principle of proportionality, will establish the governance bodies necessary for the management and monitoring of social and environmental risks, which must be consistent with those of the Corporation.

Santander Bank analyses social and environmental risk in credit transactions, following sectorial policies for risk management in sensitive sectors, initiatives and international standards with which the Bank complies.

- In order to balance its business activity and its social and environmental interests, Santander Bank refers to the International Finance Corporation guidelines and the Equator Principles to authorise lending transactions subject to this policy and the sectoral policies, following the best practices put forth by stakeholders in this sector.

To this end, the business units identify social and environmental risks, paying attention to factors such as the impacts on climate change and, in particular, projects implying a considerable emission of greenhouse gases or the extraction of natural resources. Furthermore, these units demonstrate compliance with relevant legislation and regulations and that the projects comply with the minimum requirements stipulated in the Bank's policy.

- "Soft Commodities Compact": the *Banking Environment Initiative* of which Santander Bank is part has forged an alliance with the *Consumer Goods Forum (CGF)* to aid in the challenge of stopping deforestation in 2020. The affected sectors are: paper and wood, soy and palm oil.

### c) Employees:

The programmes to make employees aware of social and environmental issues include measures for good environmental management practices, social and environmental risks and business opportunities through specific global and local campaigns based on the needs of each country.

Lastly, there are environmental volunteering programmes such as reforestation campaigns, recycling campaigns and initiatives to clean up beaches.

### d) Suppliers:

As part of its commitment to protecting the environment, Santander Group promotes sustainable practices within its supply chain, encouraging the observance of the UN Global Compact principles, purchasing from companies that have social and environmental practices in place and that operate within the same geographic location as the place receiving purchases so as to reduce the impacts caused by transporting merchandise while helping communities prosper.

### e) Communities:

Through the Banco Santander Foundation, various measures have been taken to raise awareness in communities about the fight against climate change.

## V. Principles and standards

Santander Group efforts to promote protection of the environment are based on the best international practices or standards of renowned prestige such as:

- United Nations Framework Convention on Climate Change (UNFCCC), which aims to stabilise greenhouse gas concentrations to prevent the consequences of climate change.
- the Paris Agreement on climate change: international agreement signed under the UNFCCC framework, that aims to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C.
- Vienna Convention to protect the ozone layer.
- Montreal Protocol and its amendments, which develop the Vienna Convention for the Protection of the Ozone Layer.

In addition, the Group has joined and collaborates with a number of international initiatives supporting sustainability and the protection of the environment.

International initiatives the Group supports:

- United National Global Compact.
- United Nations Environment Programme Finance Initiative (UNEP FI).
- United Nations Principles for Responsible Investment (PRI).
- Equator Principles (EP).
- Banking Environment Initiative (BEI).
- World Business Council for Sustainable Development (WBCSD).

International initiatives with which the Group collaborates:

- World Resources Institute (WRI).
- Institute of International Finance (IIF) Green Finance Working Group.
- European Financial Services Round Table (EFR) Climate Change Working Group.
- Association for Financial Markets in Europe (AFME) Green Working Group.
- CDP.

## VI. Relationship with other policies

The contents of the general sustainability policy and other sectoral policies of the Group will be included if it is not covered in this policy.

## VII. Policy ownership and updates

Banco Santander, S.A. Board of Directors owns this policy. Any review or modification on it must be approved by the board of directors.

This policy will be subject to review in the Sustainability Committee with the objective that all the areas represented in this committee will know and adopt the main decisions to put it in practice.

It will be the responsibility of the corporate sustainability unit to inform the local sustainability units, in the Group's subsidiaries, of any revision or modification of this policy for its correct local adoption. This unit will also be responsible for making the proper follow-up of said local adoption.

The content of this policy constitutes a process of continuous improvement that will be reflected in the annual reviews of this document.

This policy was last revised in February 2018 and is published for general knowledge on the corporate intranet and on the website [www.santander.com](http://www.santander.com)