

# **SANTANDER GROUP GENERAL POLICY**

## **ENERGY SECTOR**

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### Energy Sector

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#### I. Introduction

Energy is a major contributor to the progress and economic growth of economies and to the wellbeing of people around the world. In the search for more environmentally friendly energy solutions more importance is being given throughout the world to energy from sustainable sources such as wind, sun or hydro. However, there is still great dependence on energy generated from fossil fuels such as coal, natural gas and oil, which can have significant environmental impacts. Additionally, energy distribution requires the building and maintenance of appropriate wholesale and retail transmission and distribution networks.

Banco Santander, S.A. and its Group (“Santander” or “Santander Group”) provides financial products and/or services to the energy sector and it is committed to doing so responsibly. Santander supports the Paris Accord and the global objectives of combating climate change, and is a leading international lender to the renewable energy sector, thereby contributing to low-carbon economic growth, “green” job creation and sustainable economic activities. We recognise that transitioning to low carbon economies is a multi-year endeavour, at different speeds for different countries, and the Santander Group continuously engages with its clients specifically to reduce coal dependency and overall to transition to a low carbon economy.

The purpose of this policy is to set out Santander's criteria for the energy sector, always taking into consideration the best international practices and standards such as:

- The International Petroleum Industry Environmental Conservation Association (IPIECA) guidelines and documents on better practices
- The International Association of Oil & Gas Producers (IOGP) guidelines and documents on better practices
- The International Atomic Energy Agency (IAEA) and, more specifically:
  - The IAEA Safety Standards (i.e., the Safety Fundamentals, the General Safety Requirements and the General Safety Guides);
  - The Convention on Nuclear Safety;
  - The Convention on the Physical Protection of Nuclear Materials, the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management.
- The Non-Proliferation Treaty (NPT).
- The Recommendations of the World Commission on Dams (WCD)
- The International Hydropower Association (IHA)
- The Equator Principles.

This Energy policy is aligned to, and must be read in conjunction with, Santander Group's Sustainability Policy and Climate Change and Environmental Management Policy. For any cases not mentioned in this policy, Santander Group's general policies on sustainability will apply when appropriate

## II. Policy Objective

This document sets out Santander Group's policy on providing financial products and/or services (these will include debt, insurance, asset management, equity and advisory services), to energy customers and energy related projects, especially those involved in the following activities:

- Oil & gas extraction, production and treatment<sup>1</sup>.
- Coal-fired power plants
- Nuclear power plants
- Hydroelectric power plants
- Other renewable energy facilities
- Bioenergy (especially the three markets of bioelectricity, bioheat and biofuels)
- Construction of electric energy transmission and distribution<sup>2</sup> lines.

## III. Scope of Application

As part of Santander Group's consideration of the environmental and social impacts of its business activities, the exclusion criteria described as prohibited activities in Section V of this policy will apply to Santander Group's activities and clients regarding involvement of debt, insurance, asset management, equity and advisory services.

Detailed assessments of the relevant environmental and social risk impacts will be required, in particular, from Santander Corporate and Investment Banking when engaging with the restricted activity subsectors set out in Section V.

## IV. Transposition by subsidiaries

This policy was drawn up by Banco Santander S.A. as the parent of the Santander Group, and is made available to the subsidiaries comprising the Group as a reference document, establishing the regime to be applied in the matters referred to.

The governance bodies of the Group's subsidiaries are responsible for drawing up and approving their own internal regulations to enable the stipulations of Group regulations to be applied in their respective areas, with any adaptations, where applicable, which may be strictly essential to make them compatible and enable them to comply with legal and regulatory requirements or with the expectations of their supervisors.

This approval must be validated at corporate level, so as to guarantee coherence with the regulatory system and the internal system of governance operated by the Group.

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<sup>1</sup> Refining, transportation, storage and distribution, excluding distribution to the final consumer

<sup>2</sup> Excluding distribution to the final consumer

## V. Prohibited and restricted activities

### **Prohibited activities:**

Santander Group will not provide financial products and/or services to any of the following activities:

- New coal-fired Power Plants projects worldwide.
- New clients with coal-fired power plants worldwide.
- For all Nuclear Power Plants in case of the following characteristics:
  - The host country<sup>3</sup> is not a member of the International Atomic Energy Agency (IAEA).
  - The host country has not ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Materials or the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (or has not taken the appropriate measures to be aligned with the requirements included in these conventions).
  - The host country has not ratified the Non-Proliferation Treaty (NPT) and the International Convention for the Suppression of Acts of Nuclear Terrorism.
  - The host country does not have a national safety agency (NSA) for nuclear activities that:
    - Is established, independent and capable (in terms of creating a regulatory environment that requires good environmental and social performance throughout the life cycle of the facility)
    - Is authorised to conduct inspections and impose sanctions if required;
    - Has rules in line with the recommendations of the IAEA.
- The development, construction or expansion of oil sands projects in non-designated countries<sup>4</sup>.

### **Restricted activities:**

When providing financial products and/or services, Santander Group will pay particular attention to the environmental and social risks arising from the following activities:

- Oil & gas exploration, production and refining, including drilling activities:
  - In sensitive geographical areas.
  - Deep-sea and ultra-deep-sea fields<sup>5</sup> (offshore platforms).
  - Unconventional gas resources (shale gas and oil fields).

<sup>3</sup> The Host Country is the country/ies where the facility/reactor/nuclear activities are located and where the client company (and its parent if different) is incorporated.

<sup>4</sup> In accordance with Equator Principles definition on designated countries (those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.)  
<http://www.equator-principles.com/index.php/designated-countries>

<sup>5</sup> Deep-sea fields that are +400 metres deep and ultra-deep-sea files that are +1,500 metres deep.

- Changes to the coal-fired energy generation installed capacity of existing clients
- For existing clients: Transactions specific to coal power plants are allowed only when they improve significantly environmental impacts (such as minimum 20% reduction of CO<sub>2</sub>), or 40% net plant efficiency, or not exceed 850gCO<sub>2</sub>/kWh.
- Transactions involving nuclear power generation.
- Transactions involving solid and gaseous biomass<sup>6</sup> power plant for heat and electricity generation in order to assess the sustainable use of biomass.
- Development, construction or expansion of oil sands projects, especially surface mining oil sand activities.
- Transactions relating to large dams, “large dams” defined by International Commission of Large Dams.

## VI. Assessment, control and reporting

Units, as defined in the internal procedures, are responsible for the assessment of the environmental and social impacts in relation to client activities/transactions before submitting them for consideration to the risk committees. This will include, where applicable, compliance with Equator Principles or other international standards on environmental and social risk management. The units will also be responsible for monitoring, controlling and reporting on the client risk exposures and transactions assessed.

## VII. Relationship to other policies

This policy shall be construed in accordance with the Risk, Compliance & Conduct, Brand, Sustainability, Communication and Anti-money Laundering and Terrorism Financing corporate frameworks, as well as any other general Santander Group policies regarding sustainability and other policies which the Group may develop regarding Reputational Risk.

However, if any conflict arises among those policies, this policy will prevail in the specific matters it covers.

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<sup>6</sup> Biomass is defined as “the biodegradable fraction of biological products, residues and waste from agriculture (including vegetable and animal substances), forestry and similar industries (including fisheries and aquaculture); and the biodegradable fraction of industrial and municipal waste”. This restriction should comply with other Santander Group policies.

### **VIII. Policy owner and review process**

The owner of this policy is the Board of Directors of Banco Santander, S.A. Any subsequent material changes must also be approved by this body.

This policy will also be reviewed by the Executive Risk Committee and the Responsible Banking, Sustainability and Culture Committee, so that all areas represented on it are fully aware of and take the necessary decisions to implement it.

The content of this policy constitutes a continuous improvement process, which will be reflected in the annual review of this policy.

This policy was last reviewed in November 2018.

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