

Second-Party Opinion

Santander Group Green, Social and Sustainability Funding Global Framework



Evaluation Summary

Use of Proceeds Instruments

Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021

Sustainalytics is of the opinion that the Santander Group Green, Social and Sustainability Funding Global Framework is credible and impactful and aligns with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021 (the "Use of Proceeds Principles"). The eligible categories for the use of proceeds - (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, (v) Sustainable Aquaculture/Fisheries, (vi) Clean Transportation, (vii) Sustainable Water and Wastewater Management, (viii) Climate Change Adaptation, (ix) Eco-Efficient Products, (x) Green Buildings, (xi) Affordable Basic Infrastructure, (xii) Access to Essential Services, (xiii) Affordable Housing and (xiv) Employment Generation - Micro and small enterprises - are aligned with those recognized by the Use of Proceeds Principles and will lead to positive environmental and social impacts.

Green, Social and Sustainable Deposits

The Santander Group Green, Social and Sustainability Funding Global Framework includes deposits as an eligible financial product. Sustainalytics is of the opinion that the principles of impact and transparency that underlie the sustainable investment industry, as well as many of its norms and standards, are applicable to green, social and sustainable deposits, and that the Santander Group's internal processes and the use of funds aligns with those principles.

Evaluation Date	February 09, 2022
Issuer/Borrower	Madrid,
Location¹	Spain

The UoPs contribute to the following SDGs:



¹ The Group's Parent Location is Spain whilst jurisdictions of subsidiaries/issuing entities can vary.

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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the Santander Group Green, Social and Sustainability Funding Global Framework (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and Social Loan Principles 2021 (the "Use of Proceeds Principles")^{3,4}
- The Santander Group's sustainability strategy, performance and sustainability risk management.

As part of this engagement, Sustainalytics held conversations with various members of Santander's management team to understand the sustainability impact of their business processes and the core components of the Framework. Santander representatives have confirmed that:

- (1) They understand it is the sole responsibility of Santander to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Santander Group.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The Second-Party Opinion is valid (i) for issuances made aligned with the respective Framework for which the opinion was written, and (ii) for a period of twelve (12) months for sustainable banking deposit products and twenty-four (24) months for bond and loan issuances from the evaluation date stated herein.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider. The Second-Party Opinion:

- addresses the anticipated impacts of eligible assets expected to be financed with labeled financing instruments proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee the realised allocation of the labeled financing instruments proceeds towards eligible activities
- refers to the Framework, that serves as a reference document for all future issuance of green, social and sustainability labeled financing instruments offered by Banco Santander, S.A. and/or any of its consolidated subsidiaries across the Group

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Santander has made available to Sustainalytics for the purpose of this Second-Party Opinion.

For inquiries, contact the Sustainable Finance Solutions project team:

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³ The bond Principles, Guidelines and Handbooks are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ The loan Principles and Guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

Charles Cassaz (Amsterdam)
Project Manager
charles.cassaz@sustainalytics.com
(+31) 20 205 02 09

Flora Mile (Amsterdam)
Project Support

Siga Wu (Amsterdam)
Project Support

Lea Muething (London)
Project Support

Kay Tao (Amsterdam)
Project Support

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Santander Group⁵ (“Santander”, or the “Group”) is a Spanish multi-national financial services company and is focused on retail and commercial banking with a large geographical scope including major operations in South America, Europe and North America. Santander’s headquarters is located in Madrid, Spain, and currently employs approximately 190,000 people globally.

Santander has developed the Santander Group Green, Social and Sustainability Funding Global Framework (the “Framework”) under which Santander Group and its subsidiaries intend to issue use of proceeds (green, social, sustainability) bonds, loans, commercial papers, promissory notes, and/or deposits. Santander engaged Sustainalytics to review the Framework, dated February 2022, and provide a Second-Party Opinion on the Framework’s alignment with market expectations including the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and Social Loan Principles 2021 (the “Use of Proceeds Principles”). This Framework has been published in a separate document.⁶

Under use of proceeds instruments, the proceeds will finance or refinance, in whole or in part, existing or future projects that are expected to provide positive environmental and/or social impacts.

The Framework defines green eligibility criteria in the following ten areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Sustainable Aquaculture/Fisheries
6. Clean Transportation
7. Sustainable Water and Wastewater Management
8. Climate Change Adaptation
9. Eco-Efficient Products
10. Green Buildings

The Framework defines social eligibility criteria in the following four areas:

1. Affordable Basic Infrastructure
2. Access to Essential Services
3. Affordable Housing
4. Employment Generation - Micro and small enterprises

⁵ “Santander Group” means Banco Santander, S.A. (the Group’s parent) and all of its consolidated subsidiaries or issuing entities.

⁶ The Santander Group Green, Social and Sustainability Funding Global Framework is available on Santander Group’s website at: <https://www.santander.com/en/home>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment of bonds and loans with Use of Proceeds Principles

Sustainalytics is of the opinion that the Santander Framework is credible, impactful and aligns with the Use of Proceeds Principles. For further information please refer to Appendix 6: Sustainability Bond/Sustainability Bond Programme External Review Form. Sustainalytics highlights the following elements of Santander's Framework:



Use of Proceeds

Overall Assessment of Green Use of Proceeds

Use of Proceeds	Activity	Classification	Sustainalytics' Assessment
Renewable Energy	Solar power	Green	- Investment in solar PV and concentrated solar power plans (CSP). - Investment in solar PV is in line with market practice - Sustainalytics encourages Santander to report on the portion of fossil fuel back-up for its financing in solar CSP projects. Sustainalytics considers non-renewable energy back-up limited at 15% of the facility's total electricity production as market practice.
	Wind power		- Investment in wind energy generation projects. - This is in line with market practice
	Tidal power		- Investment in tidal power generation projects. - This is in line with market practice.
	Geothermal power		- Investment in geothermal projects with direct emissions below 100 gCO₂e/kWh. - This is in line with market practice.
	Hydroelectric power		- Investment in hydropower projects with a power density above 5W/m² or lifecycle emissions below 100gCO₂e/kWh. - Sustainalytics encourages Santander to favour projects with emissions intensity below 50 gCO₂e/kwh. Given the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, and it is desirable to have a threshold lower than 100gCO₂e/kWh for new facilities. - Sustainalytics also notes that Santander has confirmed that new hydropower projects over 25MW will undergo an environmental and social impact analysis. Sustainalytics views it to be market expectation for all new hydropower projects to undergo an environmental and social impact assessment by a credible body, and there should be no significant risk or expected negative impact identified. In addition, there should be no significant controversy surrounding the project.
	Green Hydrogen		- Investment in hydrogen production through electrolysis powered by renewables. - This is aligned with market practice.
	Bioenergy		- Investment in bioenergy electricity generation projects with lifecycle emission intensity below 100 gCO₂e/kWh. Feedstock for bioenergy projects will consist of agriculture and livestock residue.

			- Sustainalytics notes that while the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, large- and mid-scale livestock farming has a significant carbon and water footprint which is not addressed by the use of livestock byproducts in energy generation. In addition, such farming techniques may contribute to land degradation, biodiversity loss, and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation as providing positive impacts in the short term. - Investment in waste to energy facilities where the majority of recyclables have been segregated before energy conversion. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of zero-waste circular economy, i.e. waste prevention and recycling. Additionally, in order to have low emissions intensity of such projects, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to the current constraints of recycling in many parts of the world, energy from waste can offer better residual waste management options than landfills in many cases. Sustainalytics encourages Santander to promote the monitoring of thermal efficiency of the financed facilities. - Landfill gas capture projects will be limited to closed operations with a high gas capture efficiency of equal to or more than 75%. Sustainalytics notes that recovering methane produced from closed landfills will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste. - This is aligned with market practice.
	Transmission and distribution of energy		- Transmission and distribution infrastructure will be aimed at the construction and repair of infrastructures for renewable energy with emissions lower than 100gCO₂e/kWh. - Investments in the improvement of efficiency in existing electrical systems. Project examples include smart grid technologies,⁷ distributed generation, and peak demand management. - This is aligned with market practice.
	Energy Storage	Green	- Investment in energy storage through electrical, mechanical, and power-to-hydrogen systems. Power-to-hydrogen must store eligible hydrogen, as defined above. - Santander has confirmed that R&D expenditures will be capped at 10% of any transaction. - This is aligned with market practice.
	Energy Efficiency		
	Data centre buildings	Green	- Financing data centre buildings with power usage effectiveness (PUE) below 1.5. In addition, Santander requires data centres to be compliant with the European Code of Conduct for Data Centre Energy Efficiency⁸. - This is aligned with market practice.
	Energy saving in industrial processes		- Financing of non-motorized energy-saving products, technologies and applications in industrial processes excluding carbon-intensive and fossil fuel-powered processes. Examples of intended expenditures include

⁷ Defined per International Energy Agency (IEA): A smart grid is an electricity network that uses digital and other advanced technologies to monitor and manage the transport of electricity from all generation sources to meet the varying electricity demands of end-users.

⁸ The Code of Conduct for Energy Efficiency in Data Centres aims to inform and stimulate data centre operators and owners to reduce energy consumption in a cost-effective manner. Please see this [link](#) for further information.

			the installation of LED lighting, high efficiency windows and doors, and efficient heating and cooling systems. - Santander has indicated that expenditures under this category will comply with the Building Criteria for upgrade projects of the Climate Bonds Initiative⁹ or applicable criteria of the EU Taxonomy including for the renewal of water collection, treatment and supply systems and installation, maintenance and repair of energy efficiency equipment. - This is aligned with market practice.
	R&D related to assets described above	Green	- Financing of Research and Development (R&D) expenses related to Energy Efficiency assets described above. - Santander has confirmed that R&D expenditures will be capped at 10% of any transaction and will mainly be targeting late-stage R&D projects. - This is aligned with market practice.
Pollution prevention and control	Waste Management	Green	- Financing of the processing of recyclable non-hazardous waste into secondary raw materials with a conversion ratio above 25%. Santander has confirmed the existence of robust waste management for e-waste¹⁰ and that segregation at source is supported. - This is aligned with market practice.
	GHG Reductions	Green	- Investments in data solutions that are specifically designed to reduce GHG emissions such as decentralized technologies, Internet of Things, 5G and artificial intelligence. - Sustainalytics recognizes that, by enabling high-speed network connectivity, data solutions have the potential to support significant energy savings by end users across many sectors. Sustainalytics also acknowledges that the expansion of 5G networks and increasing data flows from IoT enablement technologies may result in additional overall energy demands on telecommunications networks. Overall, Sustainalytics believes that the enabled savings outweigh the potential adverse effects of additional network demands. - Financing of R&D expenses related to GHG Reduction assets described above. Santander has confirmed that R&D expenditures will be capped at 10% of any transaction. - Projects that rely directly on fossil fuels and produce energy from fossil fuels are excluded. - Investments under this category are aligned with market practice
Environmentally sustainable management of living natural resources and land use	Growing of crops	Green	- Investment in agricultural production certified under the following certification schemes: EU Organic, Global G.A.P, USDA Organic, Canada Organic, Rainforest Alliance or other equivalent internationally or nationally recognized schemes. Refer to Appendix 3 for Sustainalytics' assessment of the certification schemes. - While Sustainalytics recognizes Global G.A.P addresses relevant sustainability issues in agricultural production, Sustainalytics notes that the scheme does not include sustainable land management practices¹¹ as identified by other credible sustainable agriculture Standards and Organizations.¹² In addition, Global G.A.P. criteria are

⁹ CBI, "Buildings Upgrade", at: <https://www.climatebonds.net/standard/buildings/upgrade>

¹⁰ E-waste projects will require an E&S risk mitigation assessment to prevent health hazards and leakages of toxic substances into the surrounding environment.

¹¹ Examples of core indicators for sustainable land management are no-deforestation, natural ecosystem conversion, protected habitat, sustainable use, conservation and restoration of biodiversity practices.

¹² Guidance on core indicators for agrifood systems – Measuring the private sector's contribution to the Sustainable Development Goals <https://www.fao.org/3/cb6526en/cb6526en.pdf>

			based on internal self-assessments and corrective actions, and lacks rigorous guidance through which compliance and improvements can be tracked over time. As such, Sustainalytics considers the use of Global G.A.P. Integrated Farm Assurance - Crops Base to be a limitation to the Framework. - Sustainalytics further notes that it is market expectation to specify all eligible schemes, and encourages Santander to report on any other schemes they intend to include.
	Sustainable agricultural operations		- Financing recovery and restoration of degraded soil, biological nitrogen fixation, projects to reduce the use of synthetic fertilizers, projects to keep the use of pesticides to a minimum, biogas production (according to the eligibility criteria in 'Renewable Energy' category) and crop rotation. - Sustainalytics encourages Santander to promote the holistic deployment of conservation agriculture practices¹³ through its lending criteria for agriculture and agroforestry projects. - This is aligned with market practice.
	Protected agriculture		- Financing agricultural structures that save energy and water such as greenhouses and shade houses growing crops within their natural cycle or utilizing low-carbon energy for heat and power. - This is aligned with market practice.
	Afforestation/ Reforestation		- Financing forestry projects with one of the following certifications: Forest Stewardship Council (FSC); Programme for the Endorsement of Forest Certification (PEFC). For Sustainalytics' assessment of the certification schemes please see Appendix 4. - Smallholders will have an independently reviewed sustainable forest management plan in place instead of FSC/PEFC certifications.
	Land Conservation and Restoration & Soil Remediation		- Financing restoration, preservation and permanent conservation of forests, land, natural habitats as well as remediation of soil and land. - This is aligned with market practice.
	Sustainable Aquaculture		- Investment in aquaculture and fisheries certified by Aquaculture Stewardship Council (ASC) certification. For Sustainalytics' assessment of the certification scheme please see Appendix 3.
Terrestrial and aquatic biodiversity	Terrestrial and aquatic biodiversity	Green	- Projects related to preservation and conservation of terrestrial, aquatic and marine biodiversity, natural habitats and landscapes. - This is aligned with market practice.
Clean Transportation	Land Transport	Green	- Vehicles and trains which are either electric, powered by green hydrogen or hybrid. In the case of hybrid, the threshold for passenger transport will be less than 50gCO₂/p-km and for freight transport less than 25gCO₂/t-km until 2025 and not eligible thereafter. - Santander has confirmed that transportation primarily dedicated to fossil fuels (> 25% by mass) will be excluded. - This is in line with market practice.
	Water Transport		- Financing solar, electric or hydrogen-powered boats as well as motorless sail boats. - Santander has confirmed that transportation primarily dedicated to fossil fuels (> 25% by mass) will be excluded.

¹³ Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

	Transport Infrastructure		- This is in line with market practice. - Development of infrastructure for zero direct emission transport such as electric charging points, electricity grid connection upgrades, hydrogen filling stations or electric highways. - Development of infrastructure for active mobility such as cycling and walking. - Development of infrastructure for electrified and non-electrified rail if a plan for electrification or alternatively powered trains is in place and consistent with the thresholds described above. - Development of infrastructure that is predominantly used for low-carbon transport if the fleet that uses it meets the direct emissions thresholds described above. - This is aligned with market practice.
Sustainable water and wastewater management	Sustainable water and wastewater management	Green	- Water supply and management systems may include (i) water supply systems with a maximum average energy consumption of 0.5 kWh per cubic metre of authorized, billed/not billed water supply, (ii) systems that reduce average system energy consumption by at least 20%; measured in kWh per cubic metre of authorized, billed/non-billed water supply, and (iii) systems that reduce the gap between the actual leakage of the water supply network and a given target value of low leakage by at least 20%. - Santander may further finance water treatment infrastructure powered by renewable energy. - This is aligned with market practice.
Climate Adaptation	Climate Adaptation	Green	- Financing related to installation of climate observation and data systems, or infrastructure designed to protect against flooding and other extreme weather events. - Santander has confirmed that recipients of such financing must have an Adaptation Plan in place and have carried out a Vulnerability Assessment. - R&D related to assets and activities within this category. Santander has confirmed that R&D expenditures will be capped at 10% of any transaction. - This is aligned with market practice.
Eco-efficient Products and Technologies	Eco-efficient Products and Technologies	Green	- Financing the development, manufacture and installation of products, technologies and software applications that are designed specifically to enable an increase in energy efficiency through demand management and non-motorized or electrified building components and certified with third-party certifications such as ENERGY STAR (score 85 or above) or Electronic Product Environmental Assessment Tool (EPEAT at "Gold" or above). Santander may also finance other equivalent internationally- or nationally-recognized labels/certification. - Financing the installation of energy-efficient technologies, products or equipment that are primarily powered/driven by fossil fuels are excluded. - Sustainalytics encourages Santander to report on estimated or achieved energy efficiency, on a portfolio basis, where feasible. - R&D related to assets and activities within this category. Santander has confirmed that R&D expenditures will be capped at 10% of any transaction. - Sustainalytics notes that it is market preference to specify all eligible schemes and encourages Santander to report on any other schemes they intend to include.
Green Buildings	Green Buildings	Green	- Financing new or existing buildings that have received or expected to receive one of the following: - o LEED ("Gold" and above). - o BREEAM ("Excellent" and above).

			- o Energy Performance Certificate (EPC) B or above in Spain, Poland, Italy, and UK. Sustainalytics notes that EPC label B in these jurisdictions ensures that the respective building falls within the top 15% based on primary energy demand. - o In jurisdictions where EPC B does not fall within the top 15% Santander will finance buildings that correspond to the top 15% based on primary energy demand. - Investment in the retrofit of existing buildings that lead to at least a 30% reduction of primary energy demand (PED). - Sustainalytics notes that it is market expectation to specify all eligible schemes and levels and encourages Santander to report on any other schemes they intend to include. - Sustainalytics considers investments based on these criteria as aligned with market practice.
	Energy efficiency equipment in buildings		- Financing high efficiency windows and doors, installation and replacement of household appliances with an EU energy label rating of A or above and heating systems reliant on renewable energy. - Sustainalytics notes that Santander's reliance on EU energy labels to define eligibility in this category is consistent with the EU Taxonomy Climate Delegated Act.
	Renewable energy infrastructure in buildings		- Financing solar PVs, solar hot water panels, transpired solar collectors, wind turbines and ground-source heat pumps using a refrigerant with GWP lower than 10. - Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends Santander to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation/recycling, or destruction of refrigerants at end of life. - This is aligned with market practice.
	Instruments and devices to enhance buildings' energy use		- Financing assets aimed at increasing buildings' energy efficiency such as zone and smart thermostats and sensors; building automation and control systems, building energy management systems, lighting control systems and energy management systems; smart meters for heating, cooling and electricity; façade and roofing elements with solar shading or control functions. - Santander has confirmed that this will exclude gas and other fossil-fuel related appliances. - This is aligned with market practice.

Overall Assessment of Social Use of Proceeds¹⁴

Use of Proceeds	Activity	Classification	Sustainalytics' Assessment
Affordable basic infrastructure	Energy	Social	- Financing clean, renewable energy production and distribution lines (following criteria under Renewable Energy outlined above) including for integral buildings and structures targeting underserved populations.¹⁴ - Sustainalytics notes that fossil fuel projects are excluded. - Santander has further confirmed that such financing will target populations that do not have access to electricity. - This is aligned with market practice.
	Transport		- Financing overground and underground railways in underdeveloped areas.¹⁴

¹⁴ Please see Appendix 1 for definition of target populations.



			- Transportation infrastructure targeting people with disabilities to enhance accessibility.¹⁴ - This is aligned with market practice.
	Water and Waste Management		- Financing of water, sanitation and waste management infrastructure targeting underserved populations.¹⁴ Intended project examples include water collection treatment and distribution infrastructure including integral buildings and structures; sewage and wastewater treatment and collection infrastructure including integral buildings and structures; hazardous and non-hazardous waste collection, sorting, disposal, treatment and recycling. - Santander has confirmed the exclusion of water treatment from fossil fuel operations. - This is aligned with market practice.
	Information and Communications Technology		- Financing telecommunications infrastructure, distribution lines including integral buildings and structures such as fibre optic network, 5G networks and high-capacity network deployment targeting underserved populations.¹⁴ - This is aligned with market practice.
Access to essential services	Education	Social	- Financing public centres for educational services also including sports and cultural education such as nurseries, primary and secondary schools, academic tutoring, learning centres offering remedial courses as well as arts and dance related education all targeting the general public.¹⁴ - Santander may finance loans for students if the terms and conditions offer a financial benefit. Sustainalytics views the financing of student loans without further targeting as a deviation from market practice and encourages Santander to target low-income or disadvantaged populations. Nevertheless, Sustainalytics notes the presence of financial advantages provided by the loans which could increase access to favorable loans to students and generate positive social impact. - The Bank may also provide educational loans for unemployed adults or at risk of losing their jobs as part of upskilling and reskilling programs.¹⁴ The Bank will provide the loans at market rates. Sustainalytics considers market practice for such loans to provide financial advantages to the target population and notes the lack of financial benefits. Nonetheless, while the lack of financial advantages is a deviation from market practice, Sustainalytics further notes that the loans intend to provide critical skills to the beneficiaries and can therefore be expected to generate positive social impacts. - Santander has confirmed that sports and other private facilities will be accessible regardless of ability to pay. Private centres are only eligible if they are either non-profit or if access to vulnerable populations is guaranteed i.e. regardless of their ability to pay.
	Human healthcare and related activities	Social	- Financing public hospitals, centres for general healthcare, specialized medicine, physiotherapy, diagnostics, family planning and speech therapy, laboratories and field hospitals targeting the general public.¹⁴ - Santander may also finance R&D for and manufacture of basic pharmaceutical products and preparations including vaccines as well as medical equipment and other supplies such as radiation, electro medical and electrotherapeutic equipment, medical and dental instruments targeting the general public.¹⁴ Sustainalytics notes the general nature of some of the products to be financed in this area, and considers it market expectation to focus on products that can be expected to help meet unmet medical needs. Santander has confirmed that those products will be provided to public and private healthcare facilities where

			accessibility and affordability is guaranteed regardless of the ability to pay. - Santander has confirmed that R&D expenditures will be capped at 10% of any transaction. - The Issuer may also finance public health services at specialized residential care/social work facilities such as centres for nursing or learning disabilities as well as children's day-care targeting people with disabilities, aging populations and vulnerable youth and other vulnerable groups as well as migrants or displaced persons.¹⁴ - Santander has confirmed that private and non-profit facilities will be accessible to all regardless of ability to pay.
Affordable housing	Social housing	Social	- Financing construction of housing and associated infrastructure that meets authorities' socio-economic requirements targeting people who meet the regional government's socio-economic requirements. Santander is committed to reporting on the government's criteria followed to determine eligibility at the Branch level. - Santander may finance mortgages for own residence purposes which are eligible if interest rates and/or payment terms are affordable,¹⁵ targeting people without adequate housing. Santander has confirmed that mortgage payments should remain below 30% of an individual's net income. Santander has clarified to Sustainalytics that mortgages under the Framework are reserved to first-time home purchases. Sustainalytics encourages Santander where feasible to provide further disclosure on the financial benefits offered by the mortgages financed under the Framework. - For the category, the target population is defined as people without adequate housing, including homeless and people in slums and informal settlements. In addition, individuals' income must be less than 80% of the average income for the area / income below the national median.
	Owner lived in housing		
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance	Financial and Insurance Activities	Social	- Projects related to the following targeting SMEs¹⁶, microentrepreneurs, microenterprises and informal workers in underdeveloped regions or areas that are affected by natural or health disasters as well as rural population working in farming production¹⁷ and entrepreneurial women: - o Lending to SMEs, MSMEs¹⁴ and entrepreneurs including - o Financing aimed at increasing access to a wide range of micro insurance and transactional banking products and services; - o Financing relief or extension to SMEs MSMEs (micro-SMEs) and entrepreneurs that have been impacted by natural, health and/or human-made disasters, and are deemed materially significant to the local economy either because of the sector they support, the jobs they provide or the services they offer. - This is aligned with market practice.

¹⁵ Santander defines affordability as ensuring that individuals are able to pay without putting their financial health at risk.

¹⁶ Defined as SMEs, microentrepreneurs, microenterprises and informal workers that are in underdeveloped regions within the relevant country or areas experiencing depopulation or that are affected by natural or health disasters; (ii) rural population that work in farming production and the value chain; or (iii) entrepreneurial women.

¹⁷ Regarding rural populations that work in farming production Santander has clarified to Sustainalytics that this target refers to individuals working in rural farming areas and does not include the financing of smallholder farmers. Sustainalytics recognizes that populations working in rural farming populations may be in a vulnerable position and notes that increasing access to financial services to this target group could generate positive impact and improve the livelihood of vulnerable rural populations.



Project Evaluation and Selection

- Santander has established a Global Sustainability Financing Steering group to oversee the implementation and monitoring of the processes in place that govern the Framework. The Global Steering group is comprised of representatives from various departments including Financial Management (IR and Funding), Responsible Banking, E&S Risk, Legal, Compliance, Corporate & Investment Banking, Commercial Banking, Santander Consumer Finance.
- Santander has also created Local Sustainability Financing Steering groups to govern each local entity's potential issuance of Labeled Financing Instruments (LFI) under this Framework. Each Local Steering group consists of local senior directors and managers from relevant business lines, who will be responsible for local project selection based on the eligibility criteria outlined in the Framework and will have responsibility for monitoring eligible assets to ensure compliance with the Framework criteria.
- Santander Group has in place environmental and social risk management processes which are applicable to all lending, including allocation decisions made under the Framework. As such, Santander Group will ensure compliance of each eligible asset with internal regulations, domestic and international environmental and social standards and local laws and regulations. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, see Section 2.
- Based on the establishment of the Group and its cross-divisional membership, Sustainalytics considers this process to be in line with market practice.



Management of Proceeds

- Each Local Steering group will track the use of net proceeds on a portfolio basis through an Eligible Assets Register. The Eligible Assets Register will be a subset of the entity's total Eligible Assets portfolio.
- Santander intends to fully allocate the proceeds of each LFI (excluding deposits) within three years of respective issuance / launch.
- For refinancing activities, eligible assets are subject to a lookback period of 36 months prior to the issuance of LFI under the Framework. Pending allocation, proceeds will be temporarily held in accordance with the issuing entity's normal liquidity management policy.
- Based on the use of internal tracking systems and disclosure around the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.



Reporting

- All Santander Group issuing entities intend to report on the allocation of proceeds on a portfolio basis in an Allocation Report which will be published on an annual basis until full allocation.¹⁸ Allocation reporting will include the total amount of net proceeds raised from each issuance under the Framework, the total amount of proceeds allocated to each eligible asset including eligible asset category, the share of refinancing versus financing and the balance of unallocated proceeds.
- In addition, all issuing entities intend to report on relevant impact metrics where feasible. Impact reporting may include indicative impact metrics such as installed renewable energy capacity (MW), estimated annual

¹⁸ Each local entity will be responsible for creating and publishing the annual report on its own website.

emissions avoided in tonnes of CO₂e, Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings), etc. For additional details on the selected impact metrics, please see Appendix 5.

- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment of Deposits with Market Expectations

Sustainalytics is of the opinion that the Santander Group Green, Social and Sustainability Funding Global Framework is credible and that the Deposits¹⁹ will fund overall impactful social and environmental projects. Sustainalytics further notes the alignment of the Framework with the concepts underpinning the sustainable finance market, namely those of impact and transparency.



Impact

The Framework will advance the sustainability objectives of Santander by investing in projects with positive environmental and social impact across 14 categories. Refer to the Use of Proceeds component under Section 1 for Sustainalytics' opinion on the alignment of Eligible Assets with market expectations.



Transparency

Transparency is recognized as a key principle with regards to sustainable finance, as it provides assurance that investments are delivering positive impact. Sustainalytics highlights the following elements of the Santander Group Green, Social and Sustainability Funding Global Framework that facilitate transparency to clients:

Disclosures regarding management of proceeds

- Santander will earmark the net proceeds raised from Sustainable Deposits to Eligible Assets, on a best-effort basis, within one month after the relevant deposit was launched. An internal accounting system is used with a green/social/sustainable tag. The Framework restricts double accounting for the Eligible Assets financed through different instruments. The Treasury or CIB department from local entities will be responsible for continually monitoring the allocated proceeds.
- The unallocated proceeds will be temporarily held in cash or cash equivalent instruments in line with Santander's liquidity management policy.
- Sustainalytics considers this level of disclosure to investors as sufficient to ensure the credibility of the proceeds management process.

Reporting

- Santander's local entities are responsible for reporting on the allocation and impact of the Sustainable Deposits proceeds to its Sustainable Deposit holders on an annual basis in conjunction with all other financial instruments.
- The Framework commits to reporting on the same allocation and impact disclosure components for both the Sustainability Instruments (on a portfolio basis) and Sustainable Deposits. Reporting on Sustainable Deposits will disclose the Eligible Category the proceeds are allocated towards. The Framework commits to ensuring no double accounting across all allocation and impact reporting commitments made under the Framework. For details on the level of allocation and impact reporting, refer to the Reporting component under the "Alignment of bonds and loans with Use of Proceeds Principles" section above.

¹⁹ Sustainalytics notes the Framework allows for Sustainable Deposits for both retail and commercial customers of Santander. Santander confirmed that the deposits will be mainly in short, fixed term (typically 6-24 months) but can vary.

- Based on the allocation and impact reporting practices and a commitment to ensuring no double accounting, Sustainalytics considers this process to be in line with market expectations for such financial products.

Section 2: Assessment of Santander's Sustainability Strategy

Credibility of Santander Sustainability Strategy

Sustainalytics is of the opinion that Santander demonstrates a commitment to sustainability through its Group-level sustainability strategy and roadmap to be Net zero by 2050.

Santander is a member of and participates in various international initiatives related to environmental and social sustainability. The Group is a founding member of the Net-Zero Banking Alliance (NZBA),²⁰ which aims to align the lending and investment portfolios of banks to achieve net-zero emissions by 2050. In line with the NZBA target, Santander has the ambition to achieve net-zero across the Group. Santander is also one of the founding signatories to the United Nations Principles for Responsible Banking and has been a member of the UN Collective Commitment to Climate Action (CCCA) since 2019. By being a signatory to the CCCA, Santander is committed to accelerating the financial sector's transition to a low-carbon economy.²¹ The Group has introduced initiatives in light of these objectives, including commitments such as engaging customers to accelerate the transition to a low-carbon economy and aligning its portfolio to global temperature increase well below 2°C from pre-industrial levels while aiming for 1.5°C. In order to achieve this target, Santander raised and mobilized EUR 41.7 bn in green finance since 2019 and aims to further raise an additional EUR 120 bn by 2025 and EUR 220 bn by 2030 to increase its investment in green activities and align its portfolio with the Paris Agreement.

To further demonstrate its commitment to a Paris Agreement aligned portfolio and roadmap to 205 net-zero, Santander set targets to reduce the carbon intensity of its power generation portfolio by 22% by 2025 and 52% by 2030, from a 2019 baseline. Moreover, Santander set a target to eliminate its' portfolio exposure to thermal coal producers by 2030.²² Santander has also set targets to stop offering its financial services to energy companies that generate over 10% of revenues from coal and eliminate its exposure to coal producers by 2030.²³ As Santander works towards reducing the climate impact of its portfolio, Santander will assess and set targets for sectors that significantly impact the climate, including oil and gas, mining and metals and car manufacturers.

In addition to Santander's environmental commitments, Santander has a public commitment to further its responsible banking agenda, including i) empowering people financially, ii) Scholarships, internships and entrepreneurship programmes. In light of these commitments, the Group has committed to increase access to financial and banking services to 10 million people between 2019 and 2025 and had already reached six million people by 2021.²⁴

Sustainalytics is of the opinion that the Santander Group Green, Social and Sustainability Framework is aligned with Santander's overall sustainability strategy and initiatives and will further the Group's action on its key environmental and social priorities.

Santander's Environmental and Social Risk Management

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible assets that are expected to have a positive environmental and social impact, Sustainalytics is aware that such eligible assets could also lead to negative environmental and social outcomes. While Santander plays a limited role in the development of the projects which it finances, by offering lending and financial services, it is exposed to risks associated with companies or projects that it may finance. Some key environmental and social risks associated with the eligible assets include, but are not limited to, occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction and predatory lending or over-indebtedness for financially vulnerable individuals.

²⁰ Santander, "Santander becomes a founding member of the Net Zero Banking Alliance", Press Release, (2021) at: <https://www.santander.com/en/press-room/press-releases/2021/04/santander-becomes-a-founding-member-of-the-net-zero-banking-alliance>

²¹ UNEP FI, "Collective Commitment to Climate Action", at: <https://www.unepfi.org/wordpress/wp-content/uploads/2019/12/PRB-Collective-Commitment-to-Climate-Action.pdf>

²² Santander Group, "Climate Finance Report", (2021), at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf>

²³ Santander, "Environment", at: <https://esg.santander.pl/srodowisko-e-enviromental/>

²⁴ Santander, "Banco Santander and the SDGs", (2021), at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-banco-santander-and-the-sdgs-en.pdf>

In the following section Sustainalytics comments on Santander's ability to mitigate such potential risks.

- Santander Group has been a signatory to the UN Global Compact Principles since 2003,²⁵ indicating its commitment to environmental and social responsibility, and respect for human rights. Moreover, Santander is a signatory to the Equator Principles that are applicable to transactions linked to financing a specific asset and provide a minimum standard for E&S diligence. Santander Group has also been a member of the UN Principle of Responsible Banking,²⁶ since 1992 indicating the Group's commitment to integrate ESG criteria into its lending and investment decisions.
- The Group has a dedicated Climate Change and Environmental Management Policy²⁷ that outlines Santander's action framework and initiatives to reduce the Group's environmental impact and effects on climate change. In more detail, the policy outlines Santander's approach to environmental risk management, which includes analyzing the social and environmental risk in credit transactions, following sectoral policies for risk management in certain sectors and international standards such as the Equator Principles and International Finance Corporation guidelines. Santander has dedicated business units to identify social and environmental risks of sectors financed and ensure that projects financed by the Group align with the minimum requirements in Santander's policy.
- The environmental and social risk governance and management by Santander focuses on two key areas i) project analysis under the Equator Principles and ii) annual customer analysis²⁸. To ensure that the financed projects are in line with the Equator Principles, Santander credit admission process incorporates a preliminary classification under the Equator Principles' categorization system, detailed analysis by relevant business units for medium-risk projects, and in-depth analysis by the environmental and social risk management teams for high-risk projects. In addition, Santander undertakes an analysis of its customers during the onboarding and annual renewal of credit limits which incorporates environmental and social considerations.
- Specific to human rights, for projects that have been identified to have an impact on human rights, Santander requires mitigation measures to be implemented as a condition for accessing the finance, and further reviews are carried out to ensure there is no threat to or negative impacts on human rights.²⁹
- Given the Group's exposure to Brazil and the Amazon, Santander has a dedicated process in place to measure and prevent negative environmental and social impacts on the Amazon. Santander Brasil undertakes a due diligence process including checking government-issued embargoes due to illegal deforestation for all new loans requested by farmers and ranchers. Furthermore, the requests are also mapped and screened to ensure there is no negative impact to indigenous peoples' territories.³⁰
- Santander has a Consumer Policy and Principles that outline the key principles and ethical standards towards Santander's customers. The key principles include consideration of special customers' circumstances and prevention of over-indebtedness, responsible pricing, transparent communication and fair treatment. In addition, Santander has established global vulnerable customers and over-indebtedness prevention guidelines to ensure that vulnerable groups are protected. For example, when validating products or services, Santander must specify if it can be offered to customers from vulnerable groups.³¹
- Sustainalytics notes that Santander is involved in a hydropower controversy. Santander was one of the financiers of the Ituango dam project in Colombia. The dam was flooded in April 2018 by its operating company, Empresas Públicas de Medellín (EPM), after one of the three projects' bypass tunnels collapsed. The flood affected about 120,000 people living in surrounding cities, who were forcibly evacuated. Santander has adequate environmental and social financing policies. However, its connection with a controversial hydropower project suggests inadequate policies' enforcement and implementation. Nonetheless, Sustainalytics notes that all new hydropower projects over 25 MW added capacity funded under the Framework require a full environmental and social impact analysis to prevent future hydropower projects from

²⁵ UNGC, "Grupo Santander", at: <https://www.unglobalcompact.org/what-is-gc/participants/4665-Grupo-Santander>

²⁶ Santander, "Santander joins United Nations' drive for responsible banking", Press Release, (2018), at: <https://www.santander.com/content/dam/santander-com/en/documentos/historico-notas-de-prensa/2018/05/NP-2018-05-29-Santander%20joins%20United%20Nations'%20drive%20for%20responsible%20banking%20-en.pdf>

²⁷ Santander, "Climate Change and Environmental Policy", at: <https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-Climate%20change%20and%20environmental%20management%20policy-en.pdf>

²⁸ Santander, "Annual Report 2020", at: <https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2020/ia-2020-annual-report-en.pdf>

²⁹ Ibid.

³⁰ Ibid.

³¹ Ibid.

generating harmful environmental and social externalities. In addition, the Bank will not allocate proceeds to the Ituango dam project under the Framework mandate.

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that Santander has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the projects financed.

Section 3: Impact of the Use of Proceeds Categories selected

Contribution of renewable energy and energy efficiency to a low-carbon economy

The International Energy Agency (IEA) estimates that annual global energy demand will increase by 9% between 2019 and 2030, despite the recent decrease in demand from COVID-19 related economic contractions.³² According to the IEA, the energy sector accounts for 75% of global GHG emissions.³³ In this context, increasing the share of renewable energy generation can have a significant impact on meeting climate goals. A study from IEA and the International Renewable Energy Agency estimates that 65-70% of worldwide primary energy demand would need to be met by low carbon energy sources by 2050 in order to meet the Paris Agreement's 2°C target.³⁴ While the share of renewables in electricity supply increased by 2% from 2019 to 2020, the rate of deployment would need to be ramped up significantly on a global scale in order to meet international long-term targets.³⁵

In addition, improvements in energy efficiency are generally considered one of the most cost-effective ways to mitigate the environmental impact in the energy sector, particularly by deferring the need for the provision of a new energy supply.³⁶ As per a report published by the IEA, energy efficiency improvements have the potential to contribute to a 40% reduction in energy-related emissions over the next 20 years, which can contribute immensely towards achieving global climate goals.³⁷

Based on the above, Sustainalytics is of the opinion that Santander's investment in renewable energy and energy efficiency projects is expected to have positive impact on the environment.

Role of clean transportation in reducing GHG emissions globally

As of May 2020, the transportation sector as a whole was responsible for about 24% of CO₂ emissions from fossil fuel combustion globally.³⁸ According to a report by the International Transport Forum (ITF), CO₂ emissions in the sector have the potential to increase by 60% by 2050 in the absence of proper mitigation measures.³⁹ The ITF requires that, in order to limit the global average temperature rise to 1.5°C, CO₂ emissions from the transportation sector be reduced by 70% from the 2015 level by 2050.⁴⁰ Electric vehicles such as plug-in hybrid electric vehicles, battery electric vehicles and other zero-emission vehicles (such as fuel cell and hydrogen-based) are low-carbon alternatives for the sector to reduce emissions. Due to factors such as clear environmental benefits, changing demand of customers, increasing environmental responsibility and availability of government subsidies, the popularity of such climate friendly vehicles has been growing rapidly.⁴¹ Furthermore, to achieve the goal of net-zero emissions by

³² International Energy Agency, "World Energy Outlook 2020", at: <https://iea.blob.core.windows.net/assets/a72d8abf-de08-4385-8711-b8a062d6124a/WEO2020.pdf>

³³ International Energy Agency, "Net Zero by 2050 - A Roadmap for the Global Energy Sector", 2021, at: https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

³⁴ International Energy Agency and International Renewable Energy Agency, "Perspectives for the Energy Transition" (2017), at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Mar/Perspectives_for_the_Energy_Transition_2017.pdf

³⁵ International Energy Agency, "Global Energy Review 2020", at: https://iea.blob.core.windows.net/assets/7e802f6a-0b30-4714-abb1-46f21a7a9530/Global_Energy_Review_2020.pdf

³⁶ United States Environmental Protection Agency, "The Multiple Benefits of Energy Efficiency and Renewable Energy", at: https://www.epa.gov/sites/production/files/2018-07/documents/mbg_1_multiplebenefits.pdf

³⁷ International Energy Agency, "Energy Efficiency 2020", at: https://iea.blob.core.windows.net/assets/59268647-0b70-4e7b-9f78-269e5ee93f26/Energy_Efficiency_2020.pdf

³⁸ International Energy Agency, "Tracking Transport 2020", at: <https://www.iea.org/reports/tracking-transport-2020>

³⁹ International Transport Forum, "Transport demand set to triple, but sector faces potential disruptions", at: <https://www.itf-oecd.org/transport-demand-set-triple-sector-faces-potential-disruptions>

⁴⁰ International Transport Forum, "Executive Summary ITF Transport Outlook 2021" at: <https://www.itf-oecd.org/sites/default/files/transport-outlook-executive-summary-2021-english.pdf>

⁴¹ J. P. Morgan, "Driving into 2025: The Future of Electric Vehicles", (2018), at: <https://www.jpmorgan.com/global/research/electric-vehicles>

2050 on a global level, the market share of zero-emission vehicles, including electric vehicles and fuel cell vehicles, still needs to be increased from 5% in 2020 to 64% by 2030 and 100% by 2050.⁴²

Given this context, Sustainalytics is of the opinion that Santander's investment in clean transportation will contribute to the sector's overall emission reduction.

Importance of financing SMEs to support employment generation and reduce inequalities

SMEs account for the majority of businesses worldwide and are important contributors to employment generation and global economic development. According to the World Bank, SMEs represent approximately 90% of businesses and more than 50% of employment worldwide.⁴³ It is estimated that, by 2030 600 million jobs will be needed to absorb the growing global workforce, making SME development a high priority for many governments around the world.⁴⁴ However, SMEs' growth is significantly constrained by the lack of access to finance, and it is considered the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries.⁴⁵ As pointed out by IFC, 65 million enterprises, or 40% of formal micro, small and medium businesses in developing countries, have an unmet financing need of \$5.2 trillion every year.⁴⁶ Additionally, COVID-19 pandemic and the continued restrictions such as lockdown and social distancing threaten the survival of many SMEs globally. In fact, SMEs are 8% more likely to have temporarily shut down due to COVID-19 than larger firms.⁴⁷ Therefore, supporting SMEs to keep up production and employment will be crucial to the recovery of the world economy.

In this context, Sustainalytics considers Santander's investment in SMEs and associated employment generation projects is expected to contribute to reducing the financing barriers to SMEs and further support the employment creation globally.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The Santander Group Green, Social and Sustainability Funding Global Framework advances the following SDG goals and targets:

Use of Proceeds	SDG	SDG Target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally. 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity

⁴² International Energy Agency, "Net Zero by 2050 A Roadmap for the Global Energy Sector", at : https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

⁴³ The World Bank, "Small and Medium Enterprises(SMEs) Finance", at: <https://www.worldbank.org/en/topic/sme/finance>

⁴⁴ Ibid

⁴⁵ Ibid

⁴⁶ International Finance Corporation, "MSME Finance Gap", at: <https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwaQA>

⁴⁷ World Bank Group, "Small and Medium Enterprises in the Pandemic – Impact, Responses and the Role of Development Finance", at: <https://documents1.worldbank.org/curated/en/729451600968236270/pdf/Small-and-Medium-Enterprises-in-the-Pandemic-Impact-Responses-and-the-Role-of-Development-Finance.pdf>

		and, by 2020, protect and prevent the extinction of threatened species.
Terrestrial and Aquatic Biodiversity	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Climate Adaptation	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water related disasters, with a focus on protecting the poor and people in vulnerable situations.
Eco-efficient Products and Technologies	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Affordable Basic Infrastructure	6. Clean Water and Sanitation 7. Affordable and Clean Energy 11. Sustainable Cities and Communities	6.1. By 2030, achieve universal and equitable access to safe and affordable drinking water for all 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Access to essential services	3. Good Health and Well-Being 4. Quality Education	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including through the Potential Effect of SME Financing and Microfinance	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

Conclusion

Santander Group has developed the Santander Group Green, Social and Sustainability Funding Global Framework under which its entities may issue or originate use of proceeds (green, social, sustainability) bonds, loans, commercial papers, promissory notes, or deposits to finance or refinance projects that are expected to generate positive environmental and social impacts. The Framework outlines a process to track, allocate and manage the proceeds, and makes commitment for its local entities to report on the allocation and impact of the use of proceeds.

Based on the above, Sustainalytics is confident that Santander is well positioned to (i) issue or originate the Sustainability Instruments in alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021, and (ii) launch Sustainable Deposits.

The Framework also outlines criteria for eligible investments for the Sustainable Deposits as well as the supporting processes for project evaluation and selection and reporting which, in Sustainalytics opinion, are sufficient. Based on the above, Sustainalytics is of the opinion that the Framework is credible and is expected to deliver overall positive social and environmental benefits, based on the principles of impact and transparency.

Appendix 1: Definition of target populations

Target population	Definition
Adult learning	- Education that specifically targets individuals deemed adults in their society to improve their technical or professional qualifications; develop their skills; enrich their knowledge with the purpose of completing a level of formal education; or to upskill or reskill them.
Excluded and/or marginalized populations and communities	- Individuals who are unable to participate in economic, social, political and cultural life on account of their ethnicity, religion or language, as well as the process leading to and sustaining such status.
General public	- General population (as long as the service/activity is affordable and accessible).
Informal worker	- Workers that engage in street vending, home-based work, waste picking, domestic jobs, and other short-term contracts. They may be undocumented, they usually are classified as living just above the poverty line, and they may not qualify for or even seek government support in normal times.
Living below the poverty line	- Population whose income is below 50% of the average adjusted income per household.
Migrants and/or displaced persons	- People who have been forced to leave their homes or have voluntarily left their country of origin (including refugees, stateless people and asylum seekers).
Other vulnerable groups, including people who have suffered natural disasters	- Any group susceptible to suffering discrimination based on its socio-economic background and status: students; sole traders; small business owners; freelancers; startups and entrepreneurs; children without families; homeless people; substance abusers, etc.
Owner lived in housing	- People without adequate housing, including the homeless and people in slums and informal settlements. Income is less than 80% of the average income for the area / income below the national median. Individuals are self-employed, (ii) are individual contractors, (iii) are between specific ages relevant for the country demographic.
People with disabilities	- People with temporary or permanent disabilities who may experience poor health; have less access to healthcare, education and work opportunities; and are more likely to live in poverty than people without disabilities.
Senior citizens and vulnerable youth	- Ageing populations: Senior citizens with difficult or limited access to infrastructure and services. - Young people are considered a vulnerable group because of their unstable financial situation.
SMEs & Microenterprises	- Non-subsidary, independent firms of reduced size, according to the definition of the relevant national regulation
Underdeveloped areas	- Remote and sparsely populated areas, that might suffer exclusion from /lack of services and access due to their remoteness /political exclusion.
Undereducated	- People who have not completed mandatory education or wish to undertake a higher degree of studies that they previously could not attain.
Underserved who do not have quality access to essential goods and services.	- People without basic infrastructure (e.g. rural/isolated populations). - People who are unbanked (i.e. from households without a current or savings account who may rely on AFS) or otherwise have limited access to mainstream financial services.
Unemployed	- Share of population of working age who were not in employment, carried out activities to seek employment during a specified recent period and were currently available to take up employment given a job.

Appendix 2: Summary and Assessment of Green Building Certifications

	BREEAM	LEED
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).
Certification levels	• Pass • Good • Very Good • Excellent • Outstanding	• Certified • Silver • Gold • Platinum
Areas of Assessment	• Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation	• Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority
Requirements	Prerequisites depending on the levels of certification and credits with associated points This number of points is then weighted by item¹⁸ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Prerequisites independent of level of certification, and credits with associated points. These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).
Performance display		

Appendix 3: Summary and Assessment of Agriculture and Aquaculture Certifications

	Canada Organic ⁴⁸	EU Organic ⁴⁹	USDA Organic ⁵⁰
Background	Canada Organic is a regulatory certification implemented by the Government of Canada's Canadian Food Inspection Agency, based on authorities granted in section 13 of the SFCR regulation. A Canada Organic claim applies to food, feed, or seed that is produced in or imported to Canada.	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural products, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.	The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.
Clear positive impact	Promote sustainable agricultural processes and products.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.
Minimum standards	The Canada Organic regulation prohibits specific chemicals, and mandates minimum standards for agricultural practices.	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	The USDA Organic seal sets strict production and labeling requirements: • produced without genetic engineering, ionizing radiation or sewage sludge • produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent
Scope of certification or programme	Specific standards apply to crop production, livestock production, aquaculture, chain of custody, and products. The regulations also specifically name prohibited and permitted substances.	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with federal guidelines on animal raising practices, pest and weed control and the use of additives.

⁴⁸ Government of Canada, "Canadian Organic Standards", at: <https://www.inspection.gc.ca/organic-products/standards/eng/1300368619837/1300368673172>.

⁴⁹ European Commission, "Organic farming", at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming_en.

⁵⁰ USDA, "USDA Organic", at: <https://www.usda.gov/topics/organic>.

Verification of standards and risk mitigation	Certification of products and processors is granted by CBs, and requires annual verification.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.	The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.
Third party expertise and multi-stakeholder process	Developed by the Government of Canada through a consultative legislative process.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.	The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production, handling, labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee made of 15 members of the public) and the general public.
Performance Display			
Third-party verified	Certification Bodies (CBs) are accredited by Conformity Verification Bodies (CVBs), which are in turn accredited by the Canada Food Inspection Agency.	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.	80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.

Qualitative considerations	The Canada Organic certification is the only legally recognized organic scheme in Canada, and applies to both imports and domestically-produced agriculture products.	The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9% million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.	Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredient and labeled 100% organic, products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as “made with organic ingredients”, but cannot display the USDA Organic seal.
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	Rainforest Alliance⁵¹	Aquaculture Stewardship Council⁵²	Global GAP Agriculture
Background	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization’s standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The GLOBAL G.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide
Clear positive impact	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable aquaculture practices.	Promoting sustainable agriculture practices.
Minimum standards	Rainforest alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.	The GLOBALG.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets. Compliance Criteria consists of 3 types of control points. To obtain certification the following are required: Major Musts: 100% compliance is compulsory Minor Musts: 95% compliance is required Recommendations: no minimum % required

⁵¹ Rainforest Alliance, Sustainable Agriculture Certification: <https://www.rainforest-alliance.org/business/certification/>

⁵² Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

Scope of certification or programme	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.	1. Applies to farm crop base: (i) fruit and vegetables, (ii) flowers and ornamentals, (iii) combinable crops, (iv) tea, (v) plant propagation material, (v) hop. 2. Covers the certification of the whole agricultural production process of the product, from before the plant is in the ground (origin and propagation material control points) to non-processes product. - Food safety and traceability; Environment (including biodiversity); Workers' health, safety and welfare; Animal welfare; Includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP) 3. Waste, conservation (weak), water
Verification of standards and risk mitigation	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.	GlobalGAP approves certification bodies, which can then in turn carry out audits and verification. Certification is valid for one year.
Third party expertise and multi-stakeholder process	Standard setting is aligned with the ISEAL Standard Setting Code.	Developed in line with United Nation's Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.	The standards are informed by FAO guidelines.
Performance display			
Qualitative considerations	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training,	Widely recognized and modelled on the successful MSC certification. Some criticism has been focused on the ability to certify	Widely recognized internationally, and strong assurance of overall quality. However, the environmental dimension, G.A.P. does not prohibit the use of pesticides



	certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.	with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.	beyond those permitted by national regulations. Furthermore, the certification includes no requirements for reducing, minimizing or substituting pesticides.
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Appendix 4: Summary and Assessment of Forestry Certification Schemes

	Programme for the Endorsement of Forest Certification (PEFC) ⁵³	Forest Stewardship Council (FSC) ⁵⁴
Background	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.
Basic Principles	• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements	• Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations
Types of standards/benchmarks	• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards • Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products • PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo	• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)

⁵³ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

⁵⁴ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

	Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement	
Governance	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.
Scope	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)⁵⁵ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	- Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC - Only accredited certification bodies can undertake certification - CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. - The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials - The CoC standard includes specifications for the physical separation of certified and non-certified wood - The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody	- The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards - CoC standard includes procedures for tracking wood origin - CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products - CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC

⁵⁵ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>



Non-certified wood sources	The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from: a. forest management activities that do not comply with local, national or international laws related to: - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values, - protected and endangered species, including CITES species, - health and labour issues, - indigenous peoples' property, tenure and use rights, - payment of royalties and taxes. b. genetically modified organisms, c. forest conversion, including conversion of primary forests to forest plantations.	FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including: a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted.
Accreditation/verification	Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures. PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.	FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.
Qualitative considerations	Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁵⁶ and both have also faced criticism from civil society actors.^{57,58} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.	

⁵⁶ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁵⁷ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁵⁸ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 5: Summary and Assessment of Eco-efficient Products and Technologies Certifications

	Energy Star ⁵⁹	EPEAT ⁶⁰
Background	ENERGY STAR is a U.S Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.	The Electronic Product Environmental Assessment Tool ("EPEAT") is a global ecolabel covering products and services from the technology sector. The Global Electronics Council manages the EPEAT ecolabel. ⁶¹
Certification levels	1-100 score, 75 is minimum for certification	• Bronze • Silver • Gold
Areas of Assessment	Energy use	Assessment criteria under Voluntary Consensus Process: • Openness • Balance • Due process • Appeal process • Consensus Criteria under Dynamic Standards Development Process include: • Impact • Efficiency • Innovation
Requirements	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least 75 percent of similar buildings nationwide.	The EPEAT assessment criteria differ for each product category (particularly computers & displays, imaging equipment, mobile phones, photovoltaic modules and invertors, servers, and TVs) Manufacturers interested in registering their products with EPEAT engage one of the certification and testing organizations that make up EPEAT's global network of Conformity Assurance Bodies ("CABs").⁶² The CABs conduct a comprehensive "Desk Review" process on the manufacturer's initial registrations during which, the manufacturer must answer questions about the product declaration(s) and may need to provide evidence consistent with the standard's Verification Evidence requirements. The EPEAT Program ensures the veracity of EPEAT-registered products through an ongoing surveillance process known as Continuous Monitoring.

⁵⁹ ENERGY STAR, at: <https://www.energystar.gov/>.

⁶⁰ EPEAT website, "About EPEAT", at: <https://www.epeat.net/about-epeat>

⁶¹ GEC website, "EPEAT Overview", at: <https://greenelectronicscouncil.org/epeat/epeat-overview/>

⁶² GEC website, "EPEAT for manufacturers", at: <https://greenelectronicscouncil.org/epeat/manufacturers/>

Performance display		
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Appendix 6: Details of the Impact Metrics

Green Eligible Categories

Eligible Category	Indicative impact reporting metrics
Renewable energy	- Annual GHG emissions reduced/ avoided in tonnes of CO₂ equivalent - Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) - Capacity of renewable energy plant(s) constructed or rehabilitated in MW - Length (km) of connecting transmission infrastructure supported - Energy storage capacity created <i>Note: Where CO₂ emissions figures are reported, the GHG accounting methodology and assumptions will be referenced</i>
Energy efficiency	- Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) - Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent <i>Note: Where CO₂ emissions figures are reported, the GHG accounting methodology and assumptions will be referenced</i>
Pollution prevention and control	- Annual volume of waste that is prevented, minimised, reused or recycled before and after the project in tonnes of dry solids or in reduction % - Reduction of NO_x or SO_x or particulates (PM_{2.5} and PM₁₀) or VOC before and after the project - GHG pollution monitoring systems supported and range (area / type) of analysis provided
Environmentally sustainable management of living natural resources and land use	- Area cultivated by precision agriculture in km² - Increase in agricultural land using more drought resistant crops in hectares - Area reforested / protected by precision agriculture in km² - Rehabilitated areas in km² - Reduction in changes in the nutrient and/or pH level for agricultural soils - Reduction in contaminant levels in mg contaminant kg⁻¹ - Sustainable aquaculture
Terrestrial and aquatic biodiversity	- Number of indigenous species, flora or fauna restored through the project - Number of invading species and/or area occupied by invading species before and after the project - Changes in the CO₂, nutrient and/or pH levels for coastal vegetation, and coral reefs
Clean Transportation	- Annual GHG emissions reduced/avoided in tCO₂ equivalent - Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre), and savings after the project - Length (km) of connecting infrastructure supported - Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)
Sustainable water and wastewater management	- Annual water savings in absolute (gross) water use before and after the project in m³ or reduction in water use in % - Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³, population equivalent, or in % - Annual absolute (gross) amount of raw/untreated sewage sludge that is treated and disposed of (in tonnes of dry solids and in %) - Annual absolute (gross) amount of sludge that is reused (in tonnes of dry solids and in %)

Climate Adaptation	• Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and droughts • Reduction in emergency and unplanned repair and replacement of infrastructure damaged by natural disasters • Reduction in land loss from coastal / flooding erosion
Eco-efficient Products and Technologies	• The increase in number of products and/or the share of production awarded an internationally recognised eco-label, or energy, eco-efficiency or other relevant environmental certification
Green Buildings	• Number, size, use of green building certification of Green Buildings • Annual GHG emissions reduced/avoided in tonnes of CO₂ equiv. vs local baseline/baseline certification level • Amount of renewable energy installed in building • % of energy use reduced/avoided vs local baseline/building code

Social Eligible Categories

Eligible Category	Indicative impact reporting metrics
Education	• Number of beneficiaries reached with the activity • Number of students/ beneficiaries who have been recipient of the loan
Human health activities	• Number of people who use these products • Number of people benefitting from the healthcare facilities • Number of people benefitting from these care/social work services
Transport	• Number of total beneficiaries (i.e. number of people/ target populations reached with the roads, railway, subway and/or infrastructure)
Energy	• Number of total beneficiaries (i.e. number of people reached with the power infrastructure related activity)
Water and Waste Management	• Number of people reached with the water, wastewater and/or waste infrastructure related activity
Real Estate	• Number of people (average family unit size * number of mortgages) who benefit from the mortgage and/or construction of houses
Financial and Insurance Activities	• Number of people who have been recipient of the finance/microfinance
Information and Communications Technology	• Number of people who are going to receive an internet connection for the first time

Appendix 6 Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Santander Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Santander Group Green, Social and Sustainability Funding Global Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 9, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

Sustainalytics is of the opinion that the Santander Group Green, Social and Sustainability Funding Global Framework is credible and impactful and aligns with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021 (the "Use of Proceeds Principles"). The eligible categories for the use of proceeds - (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, (v) Sustainable Aquaculture/Fisheries, (vi) Clean Transportation, (vii) Sustainable Water and Wastewater Management, (viii) Climate Change Adaptation, (ix) Eco-Efficient Products, (x) Green Buildings, (xi) Affordable Basic Infrastructure, (xii) Access to Essential Services, (xiii) Affordable Housing and (xiv) Employment Generation - Micro and small enterprises - are aligned with those recognized by the Use of Proceeds Principles and will lead to positive environmental and social impacts

Use of proceeds categories as per GBP:

- | | |
|---|---|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☒ Pollution prevention and control | ☒ Environmentally sustainable management of living natural resources and land use |
| ☒ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☒ Sustainable water and wastewater management | ☒ Climate change adaptation |
| ☒ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | ☐ Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| ☒ Affordable basic infrastructure | ☒ Access to essential services |
| ☒ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☐ Socioeconomic advancement and empowerment |

- ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
- ☐ Other (please specify):

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Santander has established the Global Sustainability Financing Steering group to oversee the implementation and monitoring of the processes in place that govern the Framework. The Global Steering group is comprised of representatives from various departments including Financial Management (IR and Funding), Responsible Banking, E&S Risk, Legal, Compliance, Corporate & Investment Banking, Commercial Banking, Santander Consumer Finance.

Santander Group's Local Sustainability Financing Steering groups are established to govern each local entity. Each Local Steering group consists of senior directors and managers from relevant local business lines, which will be responsible for local project selection based on the eligibility criteria outlined in the Framework and will also monitor existing eligible assets to ensure compliance with the Framework criteria.

Santander Group has in place environmental and social risk management processes which are applicable to all allocation decisions made under the Framework. As such, Santander Group will ensure compliance of each eligible asset with internal regulations, domestic and international environmental and social standards and local laws and regulations. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.

Based on the establishment of the Group and its cross-divisional membership, Sustainalytics considers this process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☒ Summary criteria for project evaluation and selection publicly available | ☐ Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Each Local Steering group will track the use of net proceeds on a portfolio basis through an Eligible Assets Register. The Eligible Assets Register will be a subset of the entity's total Eligible Assets portfolio. Santander intends to fully allocate the proceeds of each green, social and sustainability loan and bond issuance within three years of each issuance. For refinancing activities, eligible assets are subject to a lookback period of 36 months prior to the issuance of green, social and sustainability instruments under the Framework. Pending allocation, proceeds will be temporary held in accordance with the issuing entity's normal liquidity management policy. Based on the use of internal tracking systems and disclosure around the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (*please specify*):

Additional disclosure:

- ☐ Allocations to future investments only
- ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (*please specify*):

4. REPORTING

Overall comment on section (if applicable):

All Santander Group issuing entities intend to report on the allocation and impact of proceeds in a Report which will be published on an annual basis until full allocation. Allocation reporting will include the total amount of net proceeds raised from each issuance under the Framework, the total amount of proceeds allocated to each eligible asset including eligible asset category, the share of refinancing versus financing and the balance of unallocated proceeds. Impact will be reported via means of a qualitative description of the portfolio of eligible assets, and KPI metrics, [on an expected or actual basis depending on status of project] potential examples of which are included in the Framework. Information on the methodology and assumptions used to calculate any metrics disclosed on the eligible asset impacts will also be disclosed in the reporting. Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

- ☐ Project-by-project
- ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other (*please specify*):

Information reported:

- ☒ Allocated amounts ☐ Green Bond financed share of total investment
- ☐ Other (please specify):

Frequency:

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

- ☒ GHG Emissions / Savings ☒ Energy Savings
- ☒ Decrease in water use ☐ Other ESG indicators (please specify):

Frequency

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☒ Information published in ad hoc documents ☐ Other (please specify):
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- ☐ Consultancy (incl. 2nd opinion) ☐ Certification
- ☐ Verification / Audit ☐ Rating

☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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