

Sustainable Finance Classification System (SFCS)

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1. Banco Santander's sustainability approach

Banco Santander's ("Santander") purpose is to help people and businesses prosper. It is focused on promoting inclusive and sustainable growth and aiding the transition to a low-carbon economy. To support the goals of the Paris Agreement on climate change, Santander has pledged to become net zero in carbon emissions across the group by 2050; this objective applies to group-wide operations (which have been net zero since 2020) and to customers' emissions stemming from Santander's lending, advisory or investment services. Santander is also a founding member of the Net Zero Banking Alliance (NZBA), convened by the United Nations Environment Programme Finance Initiative (UNEPFI), and Net Zero Asset Managers Initiative, both in connection with the Glasgow Financial Alliance for Net Zero (GFANZ).

We set our green finance target to aid our customers' transition to a green economy. We aim to raise or facilitate EUR 120bn between 2019 and 2025, and EUR 220bn between 2019 and 2030 and to manage 100bn Socially Responsible Investment AuM. Santander has also the intention to play a major role in promoting inclusive growth that meets customers' social needs by promoting financial empowerment and financing affordable housing, healthcare services and education, among others.

Santander's operations, financing and investments address many of the United Nations' Sustainable Development Goals and are considerate of social and environmental risks and rewards, helping sustain the balance between the economy and society.

2. Sustainable Finance Classification System (SFCS)

2.1. Introduction

Santander's Sustainable Finance Classification System ("SFCS") lays down the methodology for categorizing sustainable financial products and services, and specifically how the group defines Green, Social, Sustainability and Sustainable Finance. It provides the scope, criteria, environmental and social due diligence requirements, and verification approach that serve as a reference for creating sustainable finance products and services for customers.

The SFCS draws upon international industry and official guidelines and principles, such as ICMA's¹ Social and Green Bond Principles, the Climate Bond Standards and the EU Taxonomy². The SFCS was developed by Santander with support from Sustainalytics, a Morningstar company and a leading global independent ESG and corporate governance research, ratings and analytics firm.

2.2. Scope

The SFCS covers (but is not limited to) the following financial products, investments and services offered by Santander:

- Lending (e.g., corporate loans, project finance, asset-based retail and consumer credit)
- Transaction banking (e.g. export finance, supply chain finance, guarantees)
- Certain Global Markets products (e.g. derivatives)
- Investment and liquidity solutions and products

It applies to all Grupo Santander's business units and geographies³.

3. Sustainable Finance

3.1. Parameters

The financial instruments, products and services considered within the SFCS are defined as follows:

3.1.1. Dedicated-purpose financing

1. Dedicated-purpose financial instruments, products and services where 100% of proceeds are intended for activities and projects that meet the green and/or social criteria of the SFCS (see Appendix).
2. For financial instruments, products and services that finance:
 - a. Only green activities, these will be known as Green Finance
 - b. Only social activities, these will be known as Social Finance
 - c. A combination of green and social activities, these will be known as Sustainability Finance
Collectively these will be known as Sustainable Finance
3. Green, social and sustainability instruments if they adhere to Loan Market Association's Green Loan Principles or Social Loan Principles. The existence of a second-party opinion ("SPO") by a reputable external SPO provider will be considered favourably⁴.
4. Financial instruments, products and services that finance entities deriving at least 90% of their revenues from SFCS-aligned activities will be considered under this Classification System.

The assessment of these criteria will be progressively established as long as information availability and processes are adapted accordingly, all of which we aspire to implement progressively across the Group in the near future.

3.1.2. Sustainability-linked financing⁵

Sustainability-linked financial instruments are designed to further customers' objectives and commitments with regard to environmental and social sustainability. Their pricing can vary if the customer achieves pre-determined sustainability/ESG objectives. These sustainability performance targets ("SPTs") can relate to (1) pre-determined sustainability indicators and /or (2) ESG ratings.

Regardless of their structure, they should conform to recognized industry principles and guidelines such as LMA's Sustainability-Linked Loan Principles.

1. If based on pre-determined sustainability key performance indicators (KPIs):
 - The KPIs should be measurable, relevant, core and material to the customer's overall business and to the sector's sustainability challenges.
 - The sustainability performance targets (SPTs) should be ambitious and consistent with the customer's overall sustainability strategy.
2. If based on ESG ratings:
 - The rating needs to be provided by recognized and reputable ESG assessment providers.

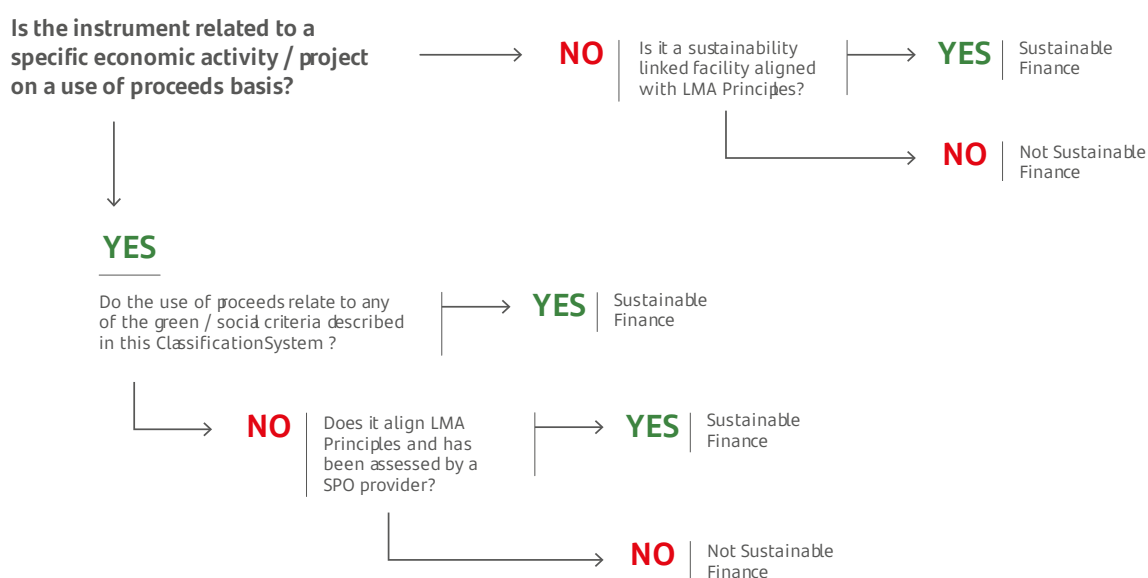
- The sustainability performance target rating level should be ambitious with respect to the baseline rating.

Sustainability-linked financing transactions should be structured and assessed according to the internal Santander Corporate Investment Banking (SCIB)'s latest structuring guidance.

Sustainable financial instruments could also be considered if a reputable external second-party opinion provider has found them consistent with the Loan Market Association (LMA)'s Sustainability Linked Loan Principles.

3.2. Decision tree

The below diagram summarises the potential classification options:



3.3. List of sectors and covered activities

The below table outlines the sectors and business activities that aid environmental sustainability and that are therefore considered as Green Finance if they conform to the criteria provided in the Appendix.

Eligible green category	Activities	SDGs
Energy	<ul style="list-style-type: none"> • Renewable energy production • Hydrogen and bioenergy production • Transmission and distribution of electricity • Energy storage • Renewable Energy Procurement 	
Transport	<ul style="list-style-type: none"> • Land transport • Water transport • Air transport • Transport infrastructure 	

Energy Efficient Products, Technologies, and Software Applications	<ul style="list-style-type: none"> Solutions that help reduce GHG emissions Technology and software to save electricity 	 
Agriculture, forestry and livestock	<ul style="list-style-type: none"> Growing of crops Sustainable agriculture Protected agriculture Afforestation / Reforestation Land conservation and restoration & soil remediation Sustainable animal husbandry and aquaculture 	  
Real estate	<ul style="list-style-type: none"> Construction, refurbishment and purchase of green buildings Energy efficiency equipment in buildings and for public services Renewable energy infrastructure in buildings and for public services Instruments and devices to enhance buildings' energy use 	  
Water and waste management	<ul style="list-style-type: none"> Waste management and remediation activities Sustainable water supply and sewage Reparation activities 	  
Manufacturing	<ul style="list-style-type: none"> Manufacturing of technologies Manufacturing of energy efficiency equipment Manufacturing of rechargeable batteries & recycling of end-of-life batteries Manufacturing of components 	
Other activities for climate change mitigation / adaptation	<ul style="list-style-type: none"> GHG and air emissions reduction Biodiversity and conservation projects Climate change adaptation projects 	

The below table outlines the sectors and business activities that address or mitigate social issues and seek positive social outcomes. These activities can be considered Social Finance if they conform to the criteria and are expressly aimed at the relevant "Target population" provided in the Appendix.

Sector - social category	Business Activities	SDGs
Education	<ul style="list-style-type: none"> Educational services Sports and cultural education centres Other educational activities Student loans Loans to finance reskilling and upskilling 	 
Healthcare	<ul style="list-style-type: none"> Building of healthcare facilities Health services Research and development (R&D), pharmaceutical and medical manufacturing 	 

Transport	<ul style="list-style-type: none"> • Transport infrastructure construction • Improvement of transport infrastructures for people with disabilities 	 
Energy	<ul style="list-style-type: none"> • Clean energy projects, distribution lines and related buildings 	 
Water and waste management	<ul style="list-style-type: none"> • Construction of infrastructure for water, sewage, and waste collection, treatment and distribution 	 
Real estate	<ul style="list-style-type: none"> • Affordable housing • Associated infrastructure 	 
Finance and Insurance	<ul style="list-style-type: none"> • Lending to SMEs and entrepreneurs (including microfinance) • Lending to individuals from target population 	 
IT and communications	<ul style="list-style-type: none"> • Development of telecommunications, distribution lines, related buildings and infrastructures 	 
Financing for non-profit organizations	<ul style="list-style-type: none"> • Lending to non-profit organizations and charities that meet Banco Santander's guidelines and advance the green and social themes 	

3.4. Environmental and social due diligence

To ensure that a Sustainable Finance transaction will not cause major environmental or social damage, we will conduct environmental and social due diligence ("E&S DD") if it is subject to the Equator Principles or the [Santander E&S and Climate Change Risk Management Policy](#) and/or if any concern was detected.

3.5. Verification

Sustainable Finance, as categorised by the SFCS will be reviewed and validated to ensure screening criteria are met. Verification also involves the collecting of sufficient evidence to support final classification.

Sustainable Finance included in the SFCS will be subject to the appropriate level of disclosure.

4. SFCS governance

The SFCS will be reviewed and updated periodically to reflect sustainability-related market developments and Santander's business activities. New versions of the SFCS would also cover new sustainable financial instruments and would not affect the classification of sustainable financial instruments already considered as such.

Appendix. Criteria by sector

The following activities will be considered: construction, manufacture, installation, expansion, repair, renovation, retrofit, improvement, refurbishment, preservation, rehabilitation and expansion, transmission and distribution, purchase, operation, transport, and maintenance of infrastructure (and land), as well as specific machinery, equipment, components and services, dedicated to produce or support activities or products if they conform to the criteria provided per sector below.

Also, Research & Development (R&D) of assets and activities described above.

A. Green criteria

1. Energy

1.1. Renewable energy production

1. Solar power

- Photovoltaic (PV) solar electricity production.
- Concentrated solar power (CSP) production where at least 85% or more of the electricity generated is derived from solar energy resources.

2. Wind power

- Wind power production.

3. Tidal power

- Tidal power production.

4. Geothermal power

- Geothermal power production, provided that direct emissions are below 100gCO₂e/kWh.

5. Hydroelectric power

- Run-of-river without artificial reservoir or low storage capacity; or
- Hydroelectricity with a power density above 5W/m² or lifecycle emissions below 100gCO₂e/kWh for facilities that became operational before the end of 2019; or
- Hydroelectricity with a power density above 10W/m² or lifecycle emissions below 50gCO₂e/kWh, for facilities that became operational after the end of 2019

For all newly constructed projects, a full environmental and social impact analysis is required, and there should be no significant risk/negative impact identified, and no significant controversy surrounding assets.

1.2. Hydrogen and bioenergy production

1. Green Hydrogen

- Hydrogen produced from renewable electrolysis or from sustainably sourced biomass, biogas, renewable natural gas, or landfill gas.

2. Ammonia

- Ammonia produced from green hydrogen that complies with the above criteria; or

- Ammonia recovered from wastewater, excluding wastewater from fossil fuel operations.

3. Bioenergy

- Energy from non-waste materials if:
 - Feedstock is certified by ISCC Plus or RSB Biomass with (i) lifecycle GHG emissions intensity is below 100gCO₂e/kWh or (ii) life-cycle emissions at least 65% lower than fossil fuel baseline⁶.
- Energy from waste materials if:
 - Created from biomass or second-generation biofuels (in particular forestry or agricultural residues or animal manure⁷);
or
 - For municipal solid waste, waste has been separated, removing reusable /recyclable items before conversion;
or
 - Biogas is produced in closed or decommissioned landfills with gas capture systems that are at least 75% efficient.

1.3. Transmission and distribution of electricity

- The building or repair of grid infrastructure with average system grid emissions factor of less than 100gCO₂e/kWh over a rolling five-year period;
or
- The building or repair of infrastructure dedicated to connecting renewables to the power grid or electrical grid development or maintenance where at least 90% of electricity on the grid is renewable. If less than 90% is renewable electricity, but the percentage of renewables is expected to increase, a pro-rata approach will be applied following the share of renewable electricity in the grid;
or
- Improvement to electrical systems for more efficient electricity (including smart grid development, distributed generation dedicated to reducing curtailment of renewable energy to the grid and peak demand management).

Energy efficiency application to transmissions lines connected or dedicated to fossil fuel power are excluded.

1.4. Energy storage

- Electrochemical, mechanical and thermal power storage.
- Hydrogen storage assets subject to a full environmental and social impact analysis.
- The operation of hydrogen storage assets if they store hydrogen, as defined in the SFCS (e.g., power-to-hydrogen systems based on water electrolysis powered by renewables).

1.5. Renewable Energy Procurement

- Medium- to long- term physical or virtual power purchase agreements (PPAs or VPPAs).
- Long-term bundled renewable energy certificates (RECs).

- If not 100% of the energy is renewable, a pro-rata approach will be applied to determine the share of green allocation.

2. Transport

2.1. Land transport

- Electric vehicles⁸ and trains.
- Zero direct emissions vehicles not intended for road, such as cranes and forklifts.
- Active mobility, including bicycles and other forms of self-propelled types of transportation.
- Vehicles and trains (including hybrids) with less than 50g CO₂ per km or 25g CO₂ per tonne-km (freight) until the end of 2025; starting on 1 January 2026 they will not be included in this SFCS.
- Hydrogen-powered vehicles.
- Development or improvement of railway transport infrastructure.
- Development or manufacture of specialized components for green transportation, such as EV batteries⁹.

The primary purpose (more than 25% share) should not be the transportation of fossil fuel freight.

2.2. Water transport

- Solar, electric or hydrogen-powered boats.
- Motorless sail boats.
- Water transport vessels (passengers & freight) that have zero direct (tailpipe) CO₂ emissions.

Cargo ships, oil tankers or vessels should not be transporting more than 25% share (in mass) coal and oil. Tank containers should not transport fossil fuels or fossil fuels blended with alternative fuels.

2.3. Air transport

- Electric planes for freight transport or small distances.

The primary purpose (more than 25% share) should not be the transportation of fossil fuel freight.

2.4. Transport infrastructure

- Infrastructure for direct emission-free transport (e.g. charging points, grid connection upgrades, hydrogen filling stations and electric highways).
- Infrastructure for active mobility (e.g. walking, cycling).
- Electrified and non-electrified rail infrastructure if a plan for electrification or alternatively powered trains is in place and is consistent with the thresholds set out in section 2.1.
- Infrastructure dedicated to be used by low-carbon transport if the fleet that uses it meets the direct emissions thresholds set out in sections 2.1 and 2.2.

The construction of parking facilities and roads are excluded.

The primary purpose (more than 25% share) should not be the transportation of fossil fuel freight.

3. Energy efficient products, Technologies¹⁰, and Software applications

- Solutions (including hardware and software) for data collection, transfer, storage, modelling and use exclusively to supply data and analysis for decision-making on GHG reduction (e.g. systems for monitoring GHG emissions, climate and early warning systems, etc.). Solutions may include decentralized technologies (DLT), Internet of Things, 5G upgrade and artificial intelligence.
- Electricity-saving technologies and software aimed at reducing power consumption through demand management that have third-party environmental or energy performance certification such as ENERGY STAR (score of 85 or above), EPA Energy Star "Most Efficient" label, or Electronic Product Environmental Assessment Tool (EPEAT) (Gold or above) or other equivalent internationally or nationally recognized labels/certifications.
- Data centres for data processing, hosting and related activities if it complies with all relevant practices listed as "expected practices" of the European Code of Conduct for Data Centre Energy Efficiency and/or power usage effectiveness (PUE) is below 1.5.

4. Agriculture, forestry and livestock

4.1. Growing of crops

- Sustainably produced crops that have been certified under a credible scheme, such as: Global Good Agricultural Practice (Global GAP), Integrated Farm Assurance - Crops Base; EU Organic; or an equivalent national or international scheme¹¹¹².

4.2. Sustainable agriculture

- Recovery and restoration of degraded soil, including:
 - a. sown biodiverse pastures, excluding pasture for industrial livestock grazing;
 - b. biological nitrogen fixation;
 - c. projects to reduce the use of synthetic fertilizers, such as through use of organic fertilizers;
 - d. projects to keep the use of pesticides to a minimum, including biological control;
 - e. soil treatment for biogas production (according to the criteria in section 1.2);
 - f. dry agriculture
 - g. crop rotation¹³
 - h. sowing of diverse cover crop
- Low-carbon agricultural technologies that improve productivity and efficiency while reducing environmental impact (like crop sensors, vertical farming, hydroponics and aeroponics, and solar irrigation pumps)¹⁴
- Electric machinery, excluding technologies for livestock production units
- Systems enhancing water efficiency, such as high-efficiency drip irrigation, dynamic irrigation and pivot irrigation systems, dams, pond and water storage management, and humidity sensors.

- No-till farming (an agricultural technique for growing crops or pasture without disturbing the soil through tillage).

4.3. Protected agriculture

- Agricultural structures (such as greenhouses and shade houses) that save energy and water.
- Operations that will either grow each crop within its natural cycle or source low-carbon energy for heat and power.

4.4. Afforestation / Reforestation

- Sustainable forestry projects, including carbon sequestration plantations, certified under a credible scheme, such as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). Smallholders may comply through an independently reviewed sustainable forest management plan, in lieu of FSC/PEFC certification.

4.5. Land conservation and restoration & soil remediation

- Restoration of native and high conservation value forests.
- Preservation of biodiverse land or valuable natural habitats.
- Preservation or restoration of biodiversity in urban areas such as parks and green rooftops.
- Permanent conservation of land.
- Soil remediation or remediating contaminated soil /land (not caused by the client/borrower, or when the cause of contamination has been eliminated).

4.6. Animal husbandry

- Operations that use integrated crop-livestock-forestry systems (ICLFS), where operations have sustainable forest management processes in place.
- Sustainable feed production and processing that aligns with criteria under 4.1, 4.2 or 4.3 above.
- Projects to reduce emissions from livestock.

Livestock management projects for industrial-scale meat processors/producers, and projects towards industrial-scale livestock are excluded.

4.7. Sustainable aquaculture

- Sustainably produced seafood that has been certified by the Aquaculture Stewardship Council (ASC), Best Aquaculture Practice (2 stars or more) or Marine Stewardship Council.

5. Real estate

5.1. Green buildings

- New or existing buildings that have obtained or will in future obtain any of the following certifications of efficiency of the real estate:
 - LEED (Gold or above).

- BREEAM (Excellent or above where “Very good” can be acceptable with a minimum score of 70% in the Energy category).
- Energy Performance Certificate (EPC) B or above in Spain, Poland, Italy, and UK.
- EPC within top 15% of the national or regional building stock; or an equivalent international green building certification¹⁵.
- Retrofit of existing buildings that achieve a minimum 30% reduction in Primary Energy Demand.

5.2. Energy efficiency equipment in buildings

- Replacement of windows to boost energy efficiency, including thermal windows.
- Replacement of external doors to boost energy efficiency.
- Replacement and installation of household appliances with an EU energy label rating of A or above, or equivalent country standard.
- Heating systems powered by renewable energy (e.g. renewable electricity, solar floor heating, biomass heaters).
- Energy-efficient light sources (e.g. LED lighting).

5.3. Renewable energy infrastructure in buildings

- Photovoltaic solar modules.
- Solar panels for hot water.
- Electric heat pumps (air-source (aerothermia), or ground-source / water-source).
- Wind turbines.
- Transpired solar collectors.
- Thermal or electrical renewable energy storage units.

5.4. Instruments and devices to enhance buildings' energy use

- Zone and smart thermostats and sensors (e.g. for motion and daylight).
- Building automation and control systems, building energy management systems (BMS), lighting control systems and energy management systems (EMS).
- Smart meters for heating, cooling and electricity.
- Façade and roofing elements with solar shading or control functions (e.g. for growing vegetation).

Technologies designed/intended for processes that are carbon-intensive or powered by fossil fuel are excluded.

6. Water and waste management

6.1. Waste management and remediation activities

- Water and waste management, waste recycling¹⁶ or waste reuse, where conversion ratios exceed 50% (conversion of reused or recycled non-hazardous waste into another raw material for use, mainly energy).

The chemical recycling of plastic is excluded.

For other activities:

- Installation and operation of infrastructure to capture and use landfill gas in permanently closed landfills with new or supplementary technical facilities and equipment installed during or after closure (efficiency at least 75%).
- Construction and operation of dedicated facilities and processes for the treatment of segregated-in-source and separately collected bio-waste through composting (aerobic digestion) with the resulting production and utilisation of compost.

6.2. Water supply and sewage

- End-to-end water supply systems with a maximum average energy consumption (including abstraction, treatment and distribution) of 0.5 kWh per cubic metre of authorized, billed/non-billed water supply.
- Systems that reduce average energy consumption by at least 20% (including abstraction, treatment and distribution); measured in kWh per cubic metre of authorized, billed/non-billed water supply.
- Systems that narrow the gap between actual supply network leakage and a given low leakage target by at least 20%. The unit of measurement is the Infrastructure Leakage Index (ILI). The target low leakage is an ILI of 1.5. Repair works to reduce water leakages in the infrastructure are included.
- Water treatment infrastructure and sewer network (i) powered by renewable energy or (ii) with a net energy consumption equal to or lower than (or equivalent, according to a relevant local standard):
 - a. 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10,000 p.e.
 - b. 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10,000 and 100,000 p.e.
 - c. 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100,000 p.e.
- Other wastewater treatment plants as long as they are deemed sustainable taking into account: (i) their size and operational efficiency; and (ii) robust construction is in place to ensure no leakages between dirty/treated water systems.
- Manure or slurry treatment facilities.
- Desalination plants that are powered by low-carbon sources (such as renewables or the average carbon intensity of the electricity that is used for desalination is at or below 100g CO₂e/kWh) and that have waste management plans for brine disposal.

Treatment of wastewater from fossil fuel operations is excluded.

6.3. Reparation activities

Repairing a product to either bring it back to use or enhance sustainability credentials, to meet third-party sustainability certification.¹⁷

7. Manufacturing

- Manufacturing of technologies that are (i) aimed at and demonstrate substantial life cycle GHG emission savings compared to the best performing alternative technology/product/

solution available on the market, such as demand management technologies; and (ii) where quantified, life cycle GHG emission savings must be verified by an independent third party.

- Manufacturing of energy efficiency equipment for buildings (products and their key components) including LEDs, Building Management Systems, green roof, heat metering, and energy efficient HVAC systems.
- Manufacturing of rechargeable batteries, battery packs and accumulators connected to renewables (and their respective components), including from secondary raw materials, that result in substantial GHG emission reductions in transport, stationary and off-grid energy storage and other industrial applications.
- Recycling of end-of-life batteries supported by a waste management process to mitigate associated risks.
- Manufacturing of components, as well as final equipment for electric heat pumps, electrolysers for green hydrogen and hydrogen fuel cells.

8. Other activities related to climate change mitigation/adaptation

8.1. GHG and air emissions reduction

- Infrastructure, equipment, products, technologies and software applications to test and monitor emissions and pollution, as well as projects to reduce GHG and air emissions and to minimize or re-use waste heat.

Projects that rely directly on fossil fuels and produce energy from fossil fuels are excluded.

8.2. Biodiversity and conservation projects

- Projects to preserve or conserve terrestrial, aquatic and marine biodiversity, natural habitats and landscapes (including depollution and contribution to the reduction of burnt areas or prevention of wildfire). Work should be geared towards reputable third-party value and risk management certification.

8.3. Climate change adaptation projects

- Climate observation and data systems or infrastructure designed to protect against flooding and other extreme weather events.
- Reporting and monitoring systems.
- Climate change adaptation infrastructure projects, where the climate challenge they aim to address is specified and plans are reviewed to make sure the project will achieve their adaptation goal (e.g. an entity seeking finance to build flood mitigation infrastructure should provide its plan to manage the project's own E&S impacts during construction, operation and end-of-life).

B. Social criteria

The table below outlines business activities that address or mitigate a specific social issue or seek to achieve positive social outcomes. Activities that fall under the definition and are aimed at the defined target population are considered social financing.

1. Education

Public ¹⁸ centres for educational services as well as provision of services and assets, including: nursery, primary and secondary schools; university buildings; and other facilities, such as laboratories and other educational purpose facilities.	<p>Target population:</p> <ul style="list-style-type: none"> • General public <p>Impact metric:</p> <p>Number of beneficiaries</p>
Public ¹⁸ sports and cultural education centres as well as provision of services and assets, including: arts, dance, sports, drama, music, etc. ¹⁹	<p>Target population:</p> <ul style="list-style-type: none"> • General public <p>Impact metric:</p> <p>Number of beneficiaries</p>
Public ¹⁸ centres for other educational activities as well as provision of services and assets, including: <ul style="list-style-type: none"> • Academic tutoring • Learning centres that offer remedial courses • Preparation for professional exams • Languages and conversational skills • Computer training • Innovation 	<p>Target population:</p> <ul style="list-style-type: none"> • General public <p>Impact metric:</p> <p>Number of beneficiaries</p>
Student loans if the terms and conditions offer preferential financial or payment terms ²⁰ to target populations.	<p>Target population:</p> <ul style="list-style-type: none"> • Low-income individuals • Historically marginalised or disadvantaged individuals, based on factors including ethnicity, religion, disability • Underserved who do not have quality access to essential goods and services <p>Impact metric:</p> <p>Number of students who receive the loan</p>
Loans to finance reskilling and upskilling for adults, with preferential financial or payment terms ²⁰ to target populations.	<p>Target population:</p> <ul style="list-style-type: none"> • Low-income individuals • Historically marginalised or disadvantaged individuals, based on factors including ethnicity, religion, disability <p>Impact metric:</p> <p>Number of loan recipients</p>

2. Healthcare

Research and development (R&D) for, and manufacture ²¹ of: <ul style="list-style-type: none"> • Basic and generic type pharmaceutical products and preparations (including vaccines) • Medical equipment and other supplies, including: radiation, electro medical and electrotherapeutic equipment, medical and dental instruments, etc. 	<p>Target population:</p> <ul style="list-style-type: none"> • General public <p>Impact metric:</p> <p>Number of people who use the products</p>
	<p>Target population:</p> <ul style="list-style-type: none"> • General public

Healthcare services and assets in public¹⁸ hospitals; centres for general healthcare, specialized medicine, physiotherapy, diagnostics, family planning and speech therapy; laboratories and field hospitals.

Impact metric:

Number of people who benefit from the facilities

Public¹⁸ health services at specialized residential care/social work facilities to target populations, such as:

- Specialized residential care facilities (e.g., centres for nursing, learning disabilities, mental health, substance abuse treatment, the elderly, people with disabilities and other residential care activities for children, the homeless, orphans and other vulnerable groups).
- Non-residential social work facilities (for the elderly and people with disabilities, children's day-care and other non-accommodation activities like counselling, helping victims of natural disasters and vocational training for the unemployed).

Target population:

- People with disabilities
- Senior citizens and vulnerable youth
- Other vulnerable groups, such as: children without families, homeless people and persons with substance abuse problems
- Migrants and displaced persons

Impact metric:

Number of people who benefit from those services

3. Transport

Roads and related infrastructure²² (such as bridges, viaducts and tunnels, among others) aimed at improving transport links to underdeveloped rural areas, or where road connectivity does not exist or is clearly inadequate and hinders a community's development in target population areas.

Target population:

- The underserved who do not have quality access to essential goods and services (e.g., connecting remote or rural populations).

Impact metric:

Number of people reached via the roads and infrastructure

Public transportation infrastructure, including over- and underground railways to bring socio-economic development in target population areas.

Target population:

- The underserved who do not have quality access to essential goods and services (e.g. cities without underground railways, rural populations and remote villages)

Impact metric:

Number of people reached via the railway infrastructure.

Transport infrastructure to help people with disabilities move around more easily (e.g. accessibility improvements to public transit networks).

Target population:

- General public

Impact metric:

Number of people who use the products

4. Energy

Clean (renewable) energy production and distribution lines and dedicated buildings and structures in target population areas.

All transmission and distribution infrastructure dedicated to connecting fossil or nuclear power plants to the grid are excluded.

Target population:

- The underserved who do not have quality access to essential goods and services (e.g. rural populations and areas with no access to electricity or where access to electricity is substantially inadequate).

Impact metric:

Number of people reached

5. Water and waste management

Water collection, treatment²³ and distribution infrastructure; and dedicated buildings and structures in target population areas.

Target population:

- The underserved who do not have quality access to essential goods and services (e.g. cities with poor water quality or no treatment systems).

Impact metric:

Number of people reached

Sewage, wastewater (not derived from fossil fuel sources) treatment and collection infrastructure (including wastewater transport vehicles that adhere to local emissions regulations); and of supporting integral buildings and structures in target population areas.

Target population:

- The underserved who do not have quality access to essential goods and services (e.g., cities with no sewage or wastewater treatment systems).

Impact metric:

Number of people reached

Hazardous and non-hazardous waste collection (including waste collection vehicles that adhere to local emissions regulations), sorting, disposal, treatment and recycling (including the recovery of waste and dismantling of wrecks) in target population areas.

Target population:

- The underserved who do not have quality access to essential goods and services (e.g. cities with no previous infrastructure for this purpose).

Impact metric:

Amount of waste collected, recycled and treated

Number of people reached

6. Real estate

Affordable housing: granting of loans for housing (mortgages) for own residence purposes.

This is considered a social activity if the loan the bank provides has preferential financial or payment terms so that housing will remain affordable over time²⁰

Target population:

- 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, region or country; or income below the national median.

Impact metric:

Number of people (average family size x number of mortgages) who benefit from the mortgage.

Affordable housing and associated infrastructure that meets authorities' socio-economic requirements.

Target population:

- People who meet the regional government's socio-economic requirements for affordable or social housing programs

Impact metric:

Number of people (average family size x number of mortgages) who benefit from the homes.

7. Finance and insurance

Lending to the defined target population.

Investment to increase access to a wide range of micro insurance and transactional banking products and services to the target population.

Target population:

- SMEs, microenterprises, microentrepreneurs and informal workers that are in underdeveloped areas or regions within the relevant country; areas experiencing

Financing to entities that have been impacted by natural, health and/or human-made disasters, as well as severe socioeconomic situations; 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.	depopulation; or that are affected by natural or health disasters. Impact metric: Number of people who receive the finance or microfinance
Financing with preferential financial or payment terms to entities and individuals ²⁰ that have been impacted by natural, armed, health and/or human-made disasters, as well as severe socioeconomic situations.	Target population: <ul style="list-style-type: none"> • Migrants and/or displaced persons • Low-income individuals • Informal workers • The underserved who do not have quality access to essential goods and services • Other vulnerable groups impacted by the disasters and circumstances listed Impact metric: Number of people who receive the finance or microfinance

8. IT and communications

Telecommunications infrastructure, distribution lines and supporting integral buildings and structures (especially fibre optic network, 5G networks and high-capacity network deployment, as well as landlines when applicable) in target population areas.	Target population: <ul style="list-style-type: none"> • The underserved who do not have quality access to essential goods and services. Impact metric: Number of people who will have an internet connection for the first time
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9. Non-profit organizations

Lending to non-profit organizations and/or registered charities that meet Banco Santander's guidelines ²⁴ and advance the green and social themes in this SFCS.	Target population: <ul style="list-style-type: none"> • Non-profit organizations Impact metric: Number of non-profit organizations that receive financing
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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 workers	Workers that engage in street vending, home-based work, waste picking, domestic jobs, and other short-term contracts. They may be undocumented, usually are classified as living just above the poverty line, and may not qualify for or even seek government support in normal times.
Low-income	Defined by official government definitions in the relevant country or jurisdiction. In the absence of such definitions, low-income is defined as

	individuals or families whose income is less than 80% of the average income for the relevant area, region or country; or income below the national median.
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, including: students; sole traders; small business owners; freelancers; start-ups and entrepreneurs; children without families; homeless people; substance abusers, etc.
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-subsidiary, independent firms of reduced size, according to the definition of the relevant national regulation. In the absence of relevant national or international regulations, SMEs & microenterprises are defined by the IFC as organizations that has fewer than 300 employees and an annual turnover or total assets of less than USD 15 million.
Underdeveloped areas or regions	Remote (as defined by relevant national or international authorities) and/or sparsely populated (as defined by relevant national or international authorities) areas or regions that might suffer exclusion from lack of services and access due to their remoteness or political exclusion. or Areas or regions that are in the relevant country's (i) bottom 40th percentile in terms of GDP per capita; and at the same time in (ii) top 40th percentile in terms of unemployment rate
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.

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- ¹ International Capital Market Association
 - ² https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en
 - ³ Santander Asset Management ("SAM") currently offers sustainable and responsible investment ("SRI"). SRI is an investment approach based on an internal methodology that analyses and selects investments based on ESG criteria to enhance risk management and generate sustainable returns for investors while benefiting society. The SFCS covers green and social SAM products with a known use of proceeds and clear purpose as one or more of the green or social activities within this SFCS.
 - ⁴ Sustainalytics considers financing towards activities as per the criteria defined under these Green and Social standards to be credible but notes that the approach outlined does not necessarily ensure financing activities defined within this SFCS.
 - ⁵ Sustainalytics notes that given the range of variables and benchmarking involved in such issuances the applicability, strength and ambitiousness of these variables should be evaluated on a case-by-case basis.
 - ⁶ Fossil fuel baselines for biofuel production facilities: (1) Biofuels (for transportation) - 94 gCO₂e/MJ; (2) Bioliquids (production of electricity) - 183 CO₂e/MJ; and (3) Bioliquids (production of heat) - 80 CO₂e/MJ as per the EU Renewable Energy Directive II. For outermost regions and non-EU countries, the following baseline is applicable for electricity generation: 212 g CO₂eq/MJ
 - ⁷ Sustainalytics considers the use of animal manure from day-to-day operations for energy generation as providing positive impacts in the short term given the significant carbon and water footprint of large- and mid-scale livestock farming
 - ⁸ Vehicles, wherever referred, include bicycles, scooters, motorbikes, passenger cars, buses, and light commercial vehicles (LCV), as well as forklifts, shuttles, other coach services and public & shared transportation means, among others.
 - ⁹ For production facilities that make parts for conventional and green vehicles, the green share of the expenditure is assessed on a pro rata basis based on the proportion that is exclusively dedicated green vehicles.
 - ¹⁰ Satellite, wired and wireless telecommunications.
 - ¹¹ For reference of further equivalent certifications: USDA Organic, Canada Organic, Rainforest Alliance, 4C Code of Conduct, Naturland, Nespresso AAA Sustainable Quality Program for organic farming, C.A.F.E Practices Verification, Algodao Brasileiro Responsavel (Brazilian Responsible Cotton (ABR)), ProTerra Standard for cropping agriculture, Bonsucro, UTZ Certification for cropping agriculture, Better Cotton Initiative, Roundtable for Sustainable Biomass (RSB), Union for Ethical Bio Trade (UEBT), Biosuisse for cropping agriculture, Round Table for Responsible Soy (RTRS), Organic SAGARPA Mexico for cropping agriculture, Organico Brasil for cropping agriculture, ZERYA Certification when coupled with the achievement of one of the other agricultural certification schemes listed in the SFC
 - ¹² Please see the following remarks for the above certificates: Sustainalytics notes that the Nespresso Program mandates that no land use conversion from high-value ecosystems should be conducted from projects commencing from 2014 onwards. Sustainalytics considers it good practice for agricultural projects to not be carried out on land with high biodiversity or high carbon value within the last 10 to 15 years at least. Sustainalytics notes that the C.A.F.E certification does not have an explicit ban on the use of synthetic pesticides, herbicides, and fertilizers. In contrast to most credible certification schemes, ABR does not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. In addition, Sustainalytics also notes that ABR allows for the use of genetically modified organisms. Notwithstanding these drawbacks, Sustainalytics notes the positive ambition of the ABR scheme. In contrast to most credible certification schemes, BCI does not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. In addition, Sustainalytics also notes that BCI allows for the use of genetically modified organisms. Notwithstanding these drawbacks, Sustainalytics notes the positive ambition of the BCI scheme. Sustainalytics notes that the UEBT certification mandates that no land use conversion from high-value ecosystems should be conducted from projects commencing from 2014 onwards. Sustainalytics considers it good practice for agricultural projects to not be carried out on land with high biodiversity or high carbon value within the last 10 to 15 years at least.
 - ¹³ For the main crop there is an annual obligatory crop rotation on the same plot.
 - ¹⁴ Vertical farming, hydroponics and aeroponics should be coupled with the implementation of energy efficiency measures. Sustainalytics notes that such farming methods may be energy intensive and considers it important to ensure that the projects financed have increased renewable energy procurement to address this concern.

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- ¹⁵ For reference of further equivalent certifications: EDGE (global); PassivHaus (global); BEAM Plus Gold and above; BCA Green Mark Gold Plus or above; DGNB Certification (Gold or above); HQE (Excellent or above); Home Quality Mark (4 stars and above); Calificación Energética de Vivienda CEV (Rating A and B), Energy Star for Buildings (85 or above), Green Globes (three globes or above), National Green Building Standard (Silver or above), Earth Check (Gold or above) (global), Eco-casa (Level I or above), Minergie at Minergie-A and Standard Minergie, Lider A (C level or above), Austin Energy (2-star level or above), NABERS (4.5 stars or above OR carbon neutral certification), Aqua-HQE (Excellent or above).
- ¹⁶ Projects to recycle electronic waste require an E&S risk mitigation assessment to prevent health hazards and leakages of toxic substances into the surrounding environment.
- ¹⁷ This financial purpose is sustainable according to UNEP FI - Impact area: Circular Economy. The EU Taxonomy is due to include it in line with the circular economy objective.
- ¹⁸ This may include private centres that are non-profit or affordable for vulnerable and low-income groups. Low-income groups are as defined in the Target Population – categories section below. Sustainalytics considers it important for private non-profit centres to be made affordable for vulnerable and low-income groups.
- ¹⁹ This section does not include:
- activities of cultural, entertainment and recreational interest, such as live performances, museums, gambling and sports and leisure;
 - the operation of sports facilities and sports teams and clubs' activities.
- ²⁰ Responsible lending practices are already in place to understand the borrower's financial situation, help ensure that borrowers understand the terms of the loan to mitigate risks for the borrowers and avoid inappropriate lending practices.
- ²¹ Sustainalytics considers expenditures that could enhance the provision of essential medicine related to critical illnesses and conditions where gaps in access exist as an impactful social expenditure and notes the broad range of possible medicine and associated equipment and supplies to be included under this category
- ²² Financing excludes the upkeep or upgrade of highways and major roads, including in rural areas.
- ²³ Where desalination plants are considered, these will not be powered by dedicated on site fossil fuel power generation plants. Additionally, Sustainalytics considers it good practice for desalination plants to have appropriate waste management plans for brine disposal in place by the time of project commencement.
- ²⁴ Santander Group Policy on Contributions for Social Purposes.

