

Road to Net Zero



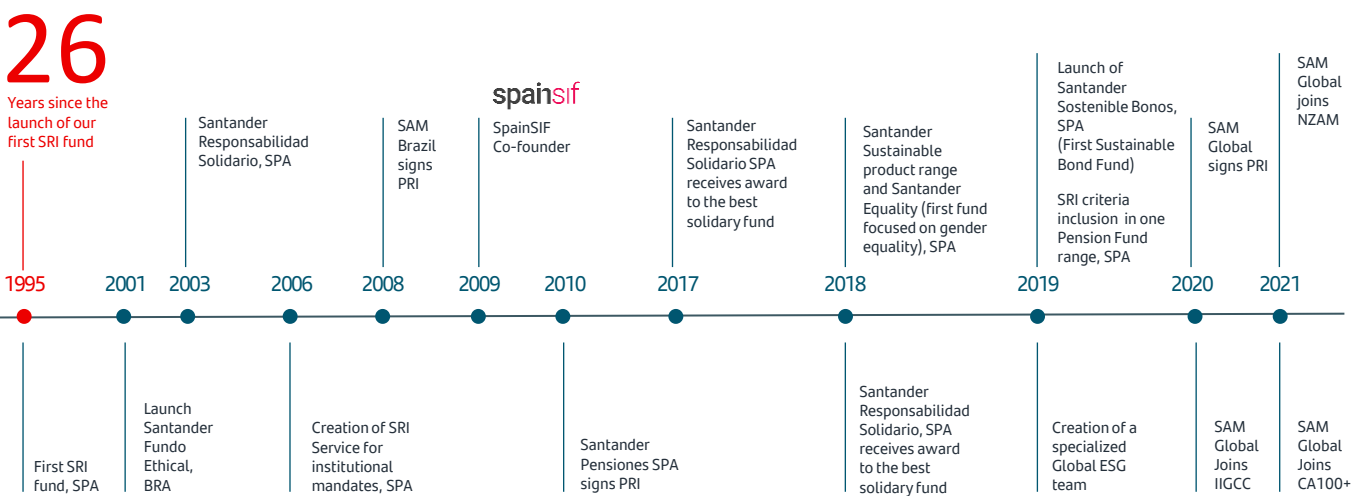
Where evolution meets tradition

In March 2021, Santander AM joined the global Net Zero Asset Managers (NZAM) initiative for net-zero greenhouse gas emissions by 2050. NZAM was launched at the Climate Ambition Summit 2020, co-convened by the UK Presidency of COP26, the UN and France on 12 December 2020 to coincide with the fifth anniversary of the Paris Agreement. We are firmly committed to reducing net CO₂ emissions from assets in-scope, supporting the green transition and promoting a sustainable world. Joining Net Zero Asset Managers is another step in setting the benchmark

for sustainable investment in Europe and Latin America. This is further evidence of Banco Santander's efforts to become a sustainability leader among financial institutions. Coinciding with the COP26 climate event being held in Glasgow (UK), Santander AM announces its interim net zero target for 2030:

SAM sets a 2030 interim target to reduce net emissions by half for 50% of AUM in-scope*

Our evolution in Sustainable Investment



*Assets in scope are 54% of SAM total assets that currently have a defined Net Zero methodology and for c.50% of them we have carbon metrics available today. This objective might be reviewed upwards depending on data availability.

Key actions for Net Zero



Action #1

Participation in key investors climate initiatives

In May 2020, on top of our **NZAM** commitment (in which we're the **first large signatory in 8 of our 10 core markets**), we became Spain's first multinational institution to join the Institutional Investors Group on Climate Change (**IIGCC**), the European body for investor collaboration on climate change that represents investors committed to a low-carbon future.

Additionally, in January 2021 we signed up to the **Climate Action 100+**, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take urgent climate change action.

Action #2

Collaboration as a tool for driving change

Besides its membership of key investors climate initiatives, SAM is actively collaborating with other global initiatives, like **UN's Principles for Responsible Investment** and the **Global Investor Statement to Governments on the Climate Crisis** initiative. Additionally, we collaborate actively with relevant climate-related initiatives in our core regions and markets like **SpainSIF**, **Investidores pelo Clima** (Brazil) and **CCFV** (Mexico).

Action #3

Engagement plan

We have a plan in our **core markets**, with a focus on **SMEs**, for company engagement through dialogue and voting policies that encourage and **support their decarbonization plans** and an adequate reporting to create credible track records.

We will also **encourage companies** to set ambitious commitments and transformation goals that are consistent with net zero targets.

Action #4

Polluting sectors strategy

To be more effective in our journey to reach Net Zero targets, we will **phase-out coal exposures** and will **focus on key material sectors** by identifying specific assets for assessment and alignment with Net Zero and defining specific actions for portfolios sectorial alignment, including reinforced engagement and/or selective divestment.

Action #5

Portfolio construction evolution

We've scrutinized our portfolios in our ten geographies to gauge our initial carbon footprint. After engaging with our local investment teams to analyze the climate plans of companies in our portfolio, SAM sets a 2030 interim target to reduce net emissions by half for 50% of AUM in-scope*. We will **evolve** our portfolios **gradually** towards net zero by increasing exposure to decarbonization **leaders** and **beneficiaries**, and to investments in **green financial products**. We will also **reduce, or end, exposures** to investments that fail to show progress or are significantly **misaligned** with net zero.

We will progressively align our mandates by adopting **net-zero benchmarks** and will request **external managers** to adopt **net zero commitments**. Finally, we will invest in **carbon removal offsets** to fill gaps in high-emission sectors or in insufficient portfolios net emission reductions.

Action #6

Facilitation of investment in climate solutions

Industry developments and rising client demand are a fertile environment for **launching new green products**. SAM is already working on standard and alternative investment options that target a step-change to reduce emissions: we have an exciting **product pipeline** for the coming months, including renewable energy projects with third parties. We are also working on direct carbon offset investment opportunities for clients.

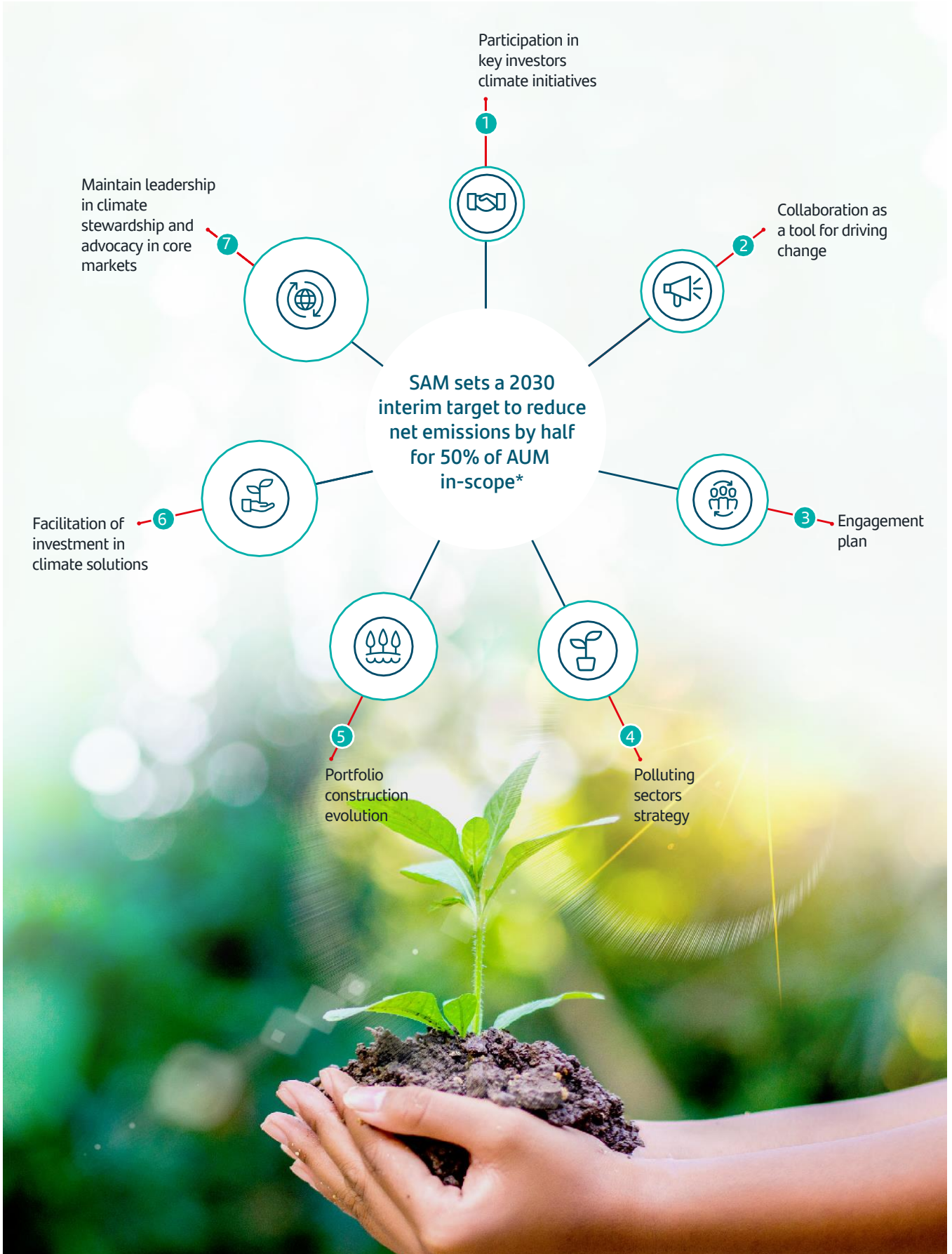
Action #7

Maintain leadership in climate stewardship and advocacy in core markets

We will continue to **promote** the stewardship and advocacy initiatives that the asset management industry endorses in our core markets. Also, we will remain strongly involved in the **EU consultation process**, while in **Latin America**, leveraging our top position in our markets, we are already actively engaging with **supervisors and associations** to lead the journey to net zero in those markets. In all our markets, we will continue to **bolster client awareness** and to promote sustainability and climate-related events, and **boost education** on sustainability and climate, including collaboration with and contributions from members of academia.

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Net Zero actions at a glance



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The journey to Net Zero

Since we joined the NZAM initiative, we've worked flat out to fulfil our net zero commitment by 2050. However, we still have a long way to go and a lot to do to make the 1.5-degree scenario a reality.

While information to enhance portfolio carbon footprint analysis lacks significantly, we will continue to work closely with companies and governments in our core markets and remain open to sovereign net-zero commitments.

We encourage other asset managers to join such initiatives as NZAM. We believe financial institutions like Banco Santander are vital in the fight against climate change. SAM aims to be a leader by engaging stakeholders and market actors and by devising progressive decarbonization plans.

We're excited to work towards net zero and regularly report on our progress.

