Road to Net Zero

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. Having achieved carbon neutrality in our operations since 2020, Santander has announced its first decarbonization targets: to become carbon neutral in financing, advisory and investment services by 2050. 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

26 Years since the launch of our first SRI fund

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>1995</td>
<td>First SRI Fund, SPA</td>
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<td>2001</td>
<td>Santander Responsabilidad Solidario, SPA</td>
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<td>2003</td>
<td>SAM Brazil signs PRI</td>
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<td>2006</td>
<td>Creation of SRI Service for Institutional mandates, SPA</td>
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<td>2009</td>
<td>Santander Responsible Solidario, SPA receives award to the best solidary fund</td>
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<td>2010</td>
<td>Santander Responsible Solidario, SPA receives award to the best solidary fund</td>
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<td>2017</td>
<td>Santander Responsible Solidario, SPA receives award to the best solidary fund</td>
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<td>2018</td>
<td>Santander Sustainable product range and Santander Equality (first fund focused on gender equality), SPA</td>
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<tr>
<td>2019</td>
<td>Launch of Santander Sostenible Bonos, SPA (First Sustainable Bond Fund)</td>
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<td>2020</td>
<td>SAM Global signs PRI</td>
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<td>2021</td>
<td>SAM Global joins NZAM</td>
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*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

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

1. Participation in key investors climate initiatives
2. Collaboration as a tool for driving change
3. Engagement plan
4. Polluting sectors strategy
5. Portfolio construction evolution
6. Facilitation of investment in climate solutions
7. Maintain leadership in climate stewardship and advocacy in core markets

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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.