ENERGY SECTOR

General Policy

Santander Group

TABLE OF CONTENTS

1	**Introduction**	**3**
2	**Application Criteria**	**5**
3	**Governance and Delegated Authorities**	**6**
4	**Governance of the Policy**	**6**

1 INTRODUCTION

1.1 Purpose and context

The purpose of this policy is to set out Santander's criteria for the energy sector.

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

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

This document develops the General Corporate Risk Framework and the General Compliance & Conduct Corporate Framework. This policy is aligned to, and must be applied in conjunction with, Santander Group's Sustainability Policy.

1.2 Regulatory references

This policy takes into account best practices, international standards and treaties issued by:

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

- Ramsar Sites[1], World Heritage Sites, or areas classified by the International Union for Conservation of Nature (IUCN) as categories I, II, III or IV[2] .
- The Equator Principles.

1.3 Definition

This document sets out Santander Group's policy on providing financial products and/or services to customers involved in the following activities:

- Oil & gas extraction, production and treatment[3].
- Coal-fired power plants
- Nuclear power plants
- Hydroelectric power plants
- Other renewable energy facilities
- Bioenergy (especially the three markets of bioelectricity, bioheat and biofuels)
- Construction of electricity transmission and distribution[4] lines.

For the purpose of this policy, financial products and/or services are defined as: transactions giving rise to credit risk, insurance, asset management, equity and advisory services.

The prohibited activities in Section 2 of this policy apply across all Santander Group units and businesses.

Assessments of the relevant environmental and social risk impacts will be required for Santander Corporate and Investment Banking customers. This assessment shall be more detailed when providing financial products and/or services to the restricted activity subsectors set out in Section 2.

1.4 Scope

This policy applies across the corporation and, in so far as it reflects best practices, is considered a reference document that may be used as a guide for other units in the development of the subject area in question. Group units are expected to use it as a basis for developing their own regulations, without prejudice to any adaptation that may be required for compliance with local regulations and the recommendations or requirements of their supervisory authorities, among other reasons.

The regulations transposing this policy must be validated at corporate level before being approved by the entity involved. The regulations which are valid on the date that this policy comes into force must be adapted to it.

[1] The Convention on Wetlands, called the Ramsar Convention, is the intergovernmental treaty that provides the framework for the conservation and wise use of wetlands and their resources.
[2] The International Union for Conservation of Nature (IUCN) classifies protected areas according to their environmental management objectives: Category I: Nature Reserve And Wilderness Areas, Category II: National Park, Category III: Natural Monument or Feature, Category IV: Habitat/Species Management Area.
[3] Refining, transportation, storage and distribution, excluding distribution to the final consumer.
[4] Excluding distribution to the final consumer

2 APPLICATION CRITERIA

2.1 Prohibited activities

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

- New coal-fired Power Plants projects worldwide.
- New clients with coal-fired power plants worldwide.
- Nuclear Power Plants if:
    - The host country[5] is not a member of the International Atomic Energy Agency (IAEA).
    - The host country has not ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Materials or the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (or has not taken the appropriate measures to be aligned with the requirements included in these conventions).
    - The host country has not ratified the Non-Proliferation Treaty (NPT) and the International Convention for the Suppression of Acts of Nuclear Terrorism.
    - The host country does not have a national safety agency (NSA) for nuclear activities that:
        - Is established, independent and capable (in terms of creating a regulatory environment that requires good environmental and social performance throughout the life cycle of the facility)
        - Is authorised to conduct inspections and impose sanctions if required;
        - Has rules in line with the recommendations of the IAEA.
- The development, construction or expansion of oil sands projects in non-designated countries[6].
- The development, construction or expansion of oil and gas drilling projects north of the Arctic Circle
- Projects or activities located in areas classified as Ramsar Sites, World Heritage Sites or by the International Union for Conservation of Nature (IUCN) as categories I, II, III or IV.

2.2 Restricted activities:

When providing financial products and/or services, Santander Group will pay particular attention to[7] the environmental and social risks arising from the following activities:

- Oil & gas exploration, production and refining, including drilling activities:

[5] The Host Country is the country/ies where the facility/reactor/nuclear activities are located and where the client company (and its parent if different) is incorporated.
[6] In accordance with Equator Principles definition on designated countries (those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.) http://www.equator-principles.com/index.php/designated-countries
[7] Please refer to section 1.3

- Deep-sea and ultra-deep-sea fields[8] (offshore platforms).
- Unconventional gas resources (shale gas and oil fields).

- Changes to the coal-fired energy generation installed capacity of existing clients
- For existing clients: Transactions specific to coal power plants are allowed only when they improve significantly environmental impacts (such as minimum 20% reduction of CO_2), or 40% net plant efficiency, or not exceed 850gCO_2/kWh.
- Transactions involving nuclear power generation.
- Transactions involving solid and gaseous biomass[9] power plant for heat and electricity generation in order to assess the sustainable use of biomass.
- Development, construction or expansion of oil sands projects, especially surface mining oil sand activities.
- Transactions relating to large dams, "large dams" defined by International Commission of Large Dams.
- Development, construction or expansion of Liquid Natural Gas facilities.

3 GOVERNANCE AND DELEGATED AUTHORITIES

Environmental and social risk analysis is carried out in accordance with established procedures.

This analysis must be integrated into the credit risk workflow, and it is the responsibility of the credit risk approver (committee or individual authorizer) to ensure that decisions are made taking into account the environmental and social risks and the criteria defined in this policy.

4 GOVERNANCE OF THE POLICY

4.1 Ownership of the policy

The Environmental and Social Risk Management (ESRM) function is responsible for drawing up this policy.

The owner of this policy is the Board of Directors of Banco Santander, S.A. Prior to approval, the policy was reviewed by the risk control committee and the responsible banking, sustainability and culture committee.

4.2 Interpretation

The Environmental and Social Risk Management (ESRM) function is responsible for interpreting this policy.

[8] Deep-sea fields that are +400 metres deep and ultra-deep-sea files that are +1,500 metres deep.
[9] For purposes of the Energy Policy, biomass is defined as "the biodegradable fraction of biological products, residues and waste from agriculture (including vegetable and animal substances), forestry and similar industries (including fisheries and aquaculture); and the biodegradable fraction of industrial and municipal waste".

4.3 Effective date and review of the policy

This policy will come into force on the date it is published. Its contents will be reviewed on a regular basis, and any changes or modifications considered appropriate will be made.