

**Our approach to
Sustainable Investment**
Shaping a better future together

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Santander Private Banking is committed to sustainable investments and firmly embeds ESG (environmental, social and governance) inputs in its portfolio management and advisory process.



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01

Introduction to
Sustainable
Investments



01

Introduction to Sustainable Investments

A global commitment to sustainability.

The **2030 Agenda for Sustainable Development**, adopted by all United Nations Member States, highlights 17 concrete **Sustainable Development Goals** ('SDGs'), to promote peace and prosperity for people and the planet.

The global investors represent key stakeholders to cover the existing investment gap, required to achieve the proposed objectives.



Financial Contribution to SDGs

\$ 3 Trillion
Annual Target

\$ 1.4 Trillion
Spent annually

\$ 1.6 Trillion
Annual investment gap

01

Introduction to Sustainable Investments

To achieve global Sustainable Development Goals, the world needs to invest with an ESG lens.

Sustainable investment is a strategy and practice to incorporate environmental, social and governance (ESG) factors into investment decisions.



Environmental

- Climate change
- Depletion of resources
- Waste
- Pollution
- Deforestation



Social

- Human rights
- Modern slavery
- Child labor
- Working conditions
- Employee Relations



Governance

- Bribery and corruption
- Executive Payroll
- Diversity and management structure
- Political lobby and donations
- Tax strategy

01

Introduction to Sustainable Investments

Sustainable investing: a means to achieve responsible returns.

A growing number of investors want to see their money flow toward investments that are both profitable and reflective of their social values.

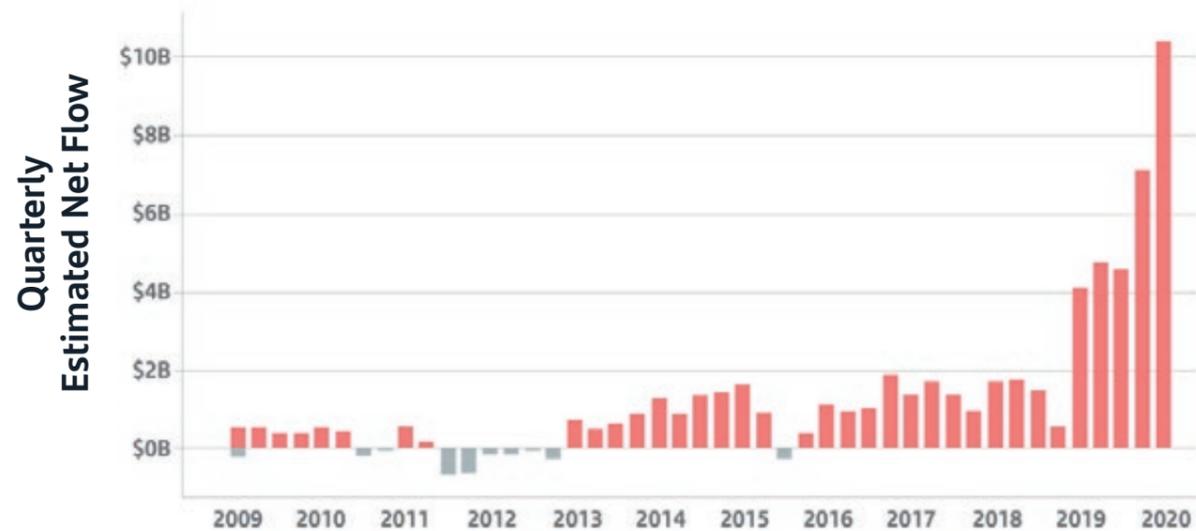
Selecting investments based on specific ethical guidelines lowers the risk profile and companies with high ESG ratings consequently tend to have a lower cost of debt and equity.



Market Growth

Continuous market growth potential is expected within the ESG industry

Sustainable funds see record inflows in first quarter 2020.



Source: Morningstar Direct, as of 31/03/2020

Risk Mitigation

Higher risk-adjusted returns as ESG factors can influence value, reputation and respective regulations of companies and industries

02

Santander Group:
Responsible
banking



02

Santander Group:
Responsible
banking

Responsible banking underpins our strategy.

Santander's activity aims to address a number of the **United Nations' Sustainable Development Goals** and to Support the **Paris Agreement's objective** to tackle climate change and adapt to its effects.



Most sustainable bank in the world in the 2019 Dow Jones Sustainability Index ranking



Founding signatory of the **Principles for Responsible Banking**



One of the **top 25 companies to work** for in the world by Great Place to Work



Signatory of the UNEP FI **Collective Commitment on Climate**



40% women on the Board



Santander's Global Sustainable Bonds Framework: **First Santander green bond issuance (EUR 1 bn) on 1 October 2019**



+470k people in our microfinance programs



+840k people helped through our community Investment programs

02

Santander Group:
Responsible
banking

International awards on sustainability.

Santander has received **international recognition** for its sustainable performance.



Santander was ranked **1st in the world** among banks in the Dow Jones Sustainability Index.



Santander has received the **Gold Class distinction for its excellent sustainability performance.**



Fortune Magazine named Santander in its 2018 Change the World list – recognising the Group among companies who “**do well by doing good**”.



Santander has been chosen for the second consecutive year as one of the **25 best companies in the world to work for** (BestWorkplace™).



Santander is also listed on the FTSE4Good Index, with an absolute score in the ESG rating of 4.3 points (out of 5).



Santander leads the **Bloomberg Gender - Equality Index.**



Santander has been reporting in CDP (formerly the Carbon Disclosure Project) about its performance on climate change since 2003, and in CDP Water since 2012.



Santander CIB was named **project finance bank of the year in Europe** by Project Finance International.



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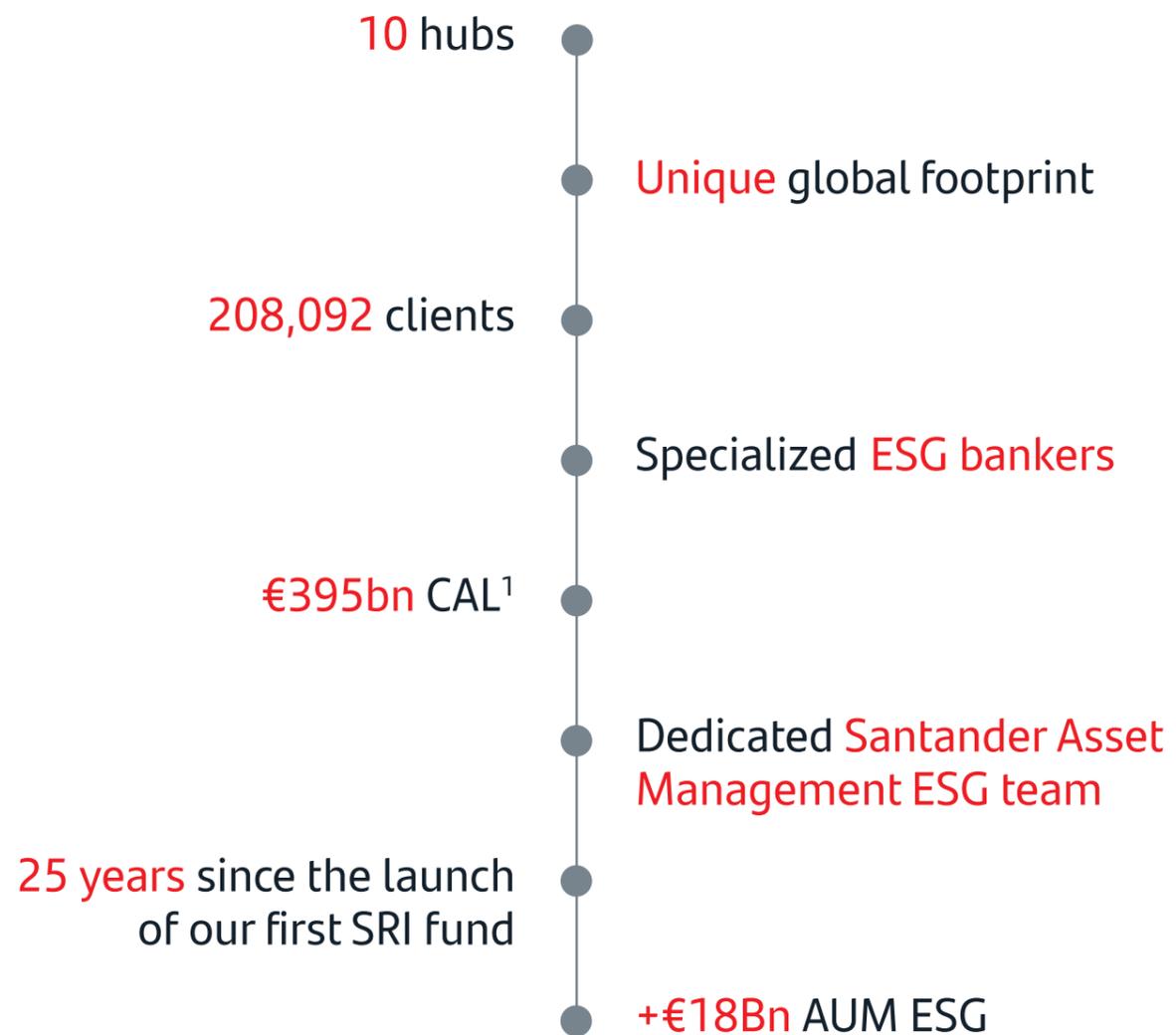
**Wealth
Management
& Insurance:
ESG Strategy**

03

Wealth Management & Insurance: ESG Strategy

Santander Wealth Management & insurance: our vision.

We aim to be the best Wealth Manager in Europe and the Americas, by acting responsibly and earning the lasting loyalty of our clients.



Offering 100% ESG investment management on demand

SAM: Santander Asset Management signatory of:



Data as of 31 December 2019. (1) CAL= Client Assets and Liabilities

03

Wealth Management & Insurance: ESG Strategy



Core ESG Solutions

At Santander, we go through a **comprehensive ESG advisory process**. This includes the treatment and analysis of non-financial data in order to provide an ESG scoring for securities and funds, which is then used to offer best-in class products and tailor-made ESG portfolio solutions.



Santander has developed its **own methodology** to analyze ESG data & produce ESG ratings, leveraging **best-in-class' data providers**.

Santander offers **different ESG core financial products**, including mutual and in house funds, ETFs and alternative investments

ESG analysis & scorings may be integrated into **investment decisions**, focusing on material ESG factors than can affect companies' financial performance

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Wealth Management & Insurance: ESG Strategy

ESG Research, Analysis & Scoring

Our comprehensive ESG rating methodology ensures a rigorous approach to sustainable investing.

We have created our own ESG rating model, which produces analysis for both securities and funds/ETFs, leveraging on the 'best-in-class' ESG data.



Data Providers

More than 50 data sources aggregated through a single external platform

Non-financial criteria



Information Processing

- ✓ ESG factor ranking
- ✓ Factor Weight by sector
- ✓ Weighting of both financial and non-financial criteria
- ✓ Qualitative analysis

Energy & emissions

Tons of CO2 emitted

Energy efficiency

Health & Safety

H&S training hours

Recordable injury rate

Governance

% independent board members

% women on the board

ESG Scoring

Securities

Rating	ESG score
A+	80.01-100
A	65.01-80
A-	55.01-65
B	45.01-55
C+	35.01-45
C	20.01-35
C-	0-20



Portfolios:

S. Barometer	ESG score
	65.01-100
	60.01-65
	55.01-60
	50.01-55
	45.01-50
	40.01-45
	0-40

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Wealth Management & Insurance: ESG Strategy

Sustainable financial products

ESG product solutions to meet all client goals.

Our clients have at their disposal a range of **ESG products**, in order to meet the different return and risk needs, in addition to the sustainability goals.



- I.
- II.
- III.

1	Santander ESG labelled traditional funds	2 Fixed income funds	11 Balanced funds	7 Equity funds
2	Third-party ESG labelled traditional mutual funds*	9 Fixed income funds	1 Balanced fund	6 Equity funds
3	Exchange Traded Funds (ETFs)	Clean Energy 5 ETFs	Water 4 ETFs	Sustainability 12 ETFs
4	Alternative Investments	Infrastructure 3 Funds	Private Equity 1 Fund	

03

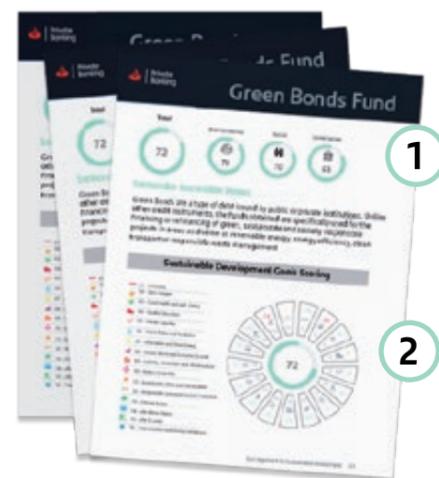
Wealth Management & Insurance: ESG Strategy



Portfolio Advisory

Full visibility of the ESG impact of your investments, delivered by unique digital solutions.

As part of our bespoke ESG portfolio solutions, we are able to provide our clients with **personalized ESG reporting**, so that you can understand what is the **ESG impact** of your investment portfolio and adapt it to your different sustainability goals.



1 ESG Scoring



2 Sustainable Development Goals Scoring

- 01. No Poverty
- 02. Zero Hunger
- 03. Good health and well-being
- 04. Quality Education
- 05. Gender Equality
- 06. Clean Water and Sanitation
- 07. Affordable and Clean Energy
- 08. Decent Work and Economic Growth
- 09. Industry, Innovation and Infrastructure
- 10. Reduce Inequality
- 11. Sustainable Cities and Communities
- 12. Responsible Consumption and Production
- 13. Climate Action
- 14. Life Below Water
- 15. Life On Land
- 16. Peace, Justice and Strong Institutions
- 17. Partnerships for the goals



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