

# Our approach to Sustainable Investment

*Shaping a better future, together.*



## Contents

01

Introduction to  
Sustainable  
Investments

02

**Santander Group:  
Responsible  
banking**

03

Wealth  
Management:  
ESG Strategy

# 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

**\$ 3.000.000.000.000**

Annual Target

≈ Euro Stoxx 50 market cap

**\$ 1.400.000.000.000**

Spent annually

≈ PIB Spain

**\$ 1.600.000.000.000**

Annual investment gap

# 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

# Investor commitment to the principles for responsible investment is rapidly increasing.

The **Principles for Responsible Investment ('PRI')** represents a **voluntary investor initiative**, launched in 2006, with a focus on the **promotion of sustainable and responsible investing**, with **Santander Asset Management** being a **PRI signatory**.

**Significant global investor commitment** to incorporate ESG factors into investment analysis and decision making processes, demonstrated by over **3,000 PRI signatories**, and respective **USD 90 trillion AuM** reached in 2020.



**Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3:** We will ensure appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.

**Principle 6:** We will each report on our activities and progress towards implementing the Principles.



Source: PRI  
(1) AOS: Number of Assets Owners

01. Introduction to Sustainable Investments

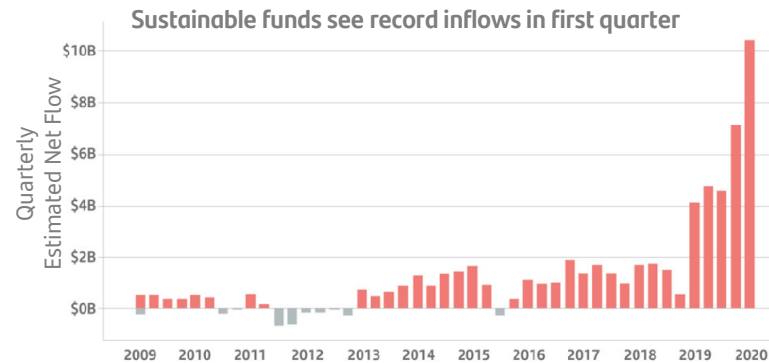
# Sustainable investing: a means to achieve responsible returns.

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



### Risk Mitigation

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



## Ignoring ESG comes at a price for companies and investors.

ESG considerations have become increasingly relevant in recent years as many investors suffered substantial losses from environmental disasters, social controversies or governance deficiencies.



In 2010, the **Deepwater Horizon oil spill** had a **negative impact** of \$ **53.8MM** for BP



In 2015, Volkswagen **manipulated 11 million diesel vehicles** to pass the emissions tests, and was subsequently **fined € 27.4MM**

# Uber

Uber agreed to pay **\$148 MM** for **legal disputes** around a **data breach** that affected **57 million users** in 2016.  
**Travis Kalanick**, co-founder and CEO, resigned from **Uber** in 2017, after controversy over the company's reported **unethical culture**.



In 2015, Valeant was involved on some controversies, including **drug-pricing investigations** and **improper accounting allegations**, which drove its **stock price to plummet more than 90 percent**



01. Introduction to Sustainable Investments

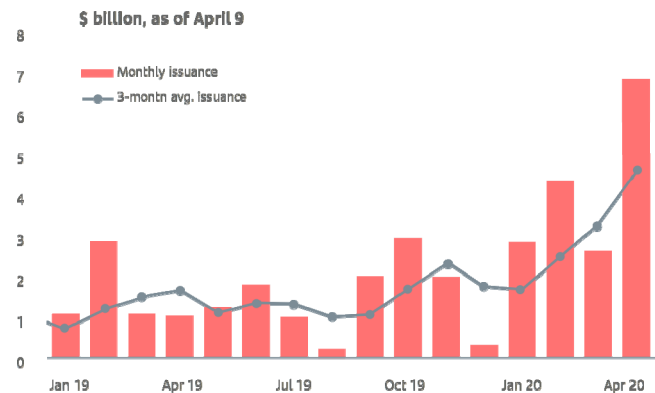
# ESG considerations are becoming more important in the wake of COVID-19.

The Covid-19 crisis has drawn significant attention to the value of building ESG values into policy and investment decisions in order to rebuild the economy in a sustainable way.

## Social

New social issues have been prioritized:

- Inequality
- Human Capital & Labour Practices
- Health & Safety

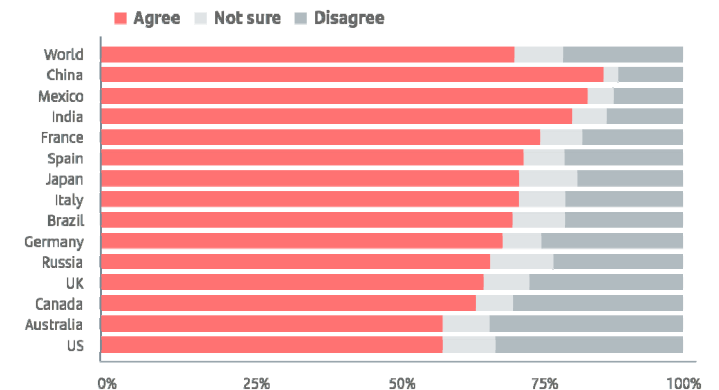


## Environmental

- COVID19 expected to cause an **8% reduction in global emissions in 2020**
- Emissions **need to fall by 7.6% every year** this decade in order to **meet the 1.5C warming limit set** by the Paris Climate Change Agreement

### Most people think climate change is as serious as coronavirus

Percentage of people who agree that, in the long term, climate change is as serious a crisis as Covid-19



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



Signatory of the UNEP FI Collective Commitment on Climate



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



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



**40% women** on the Board



**+470k people** in our microfinance programs

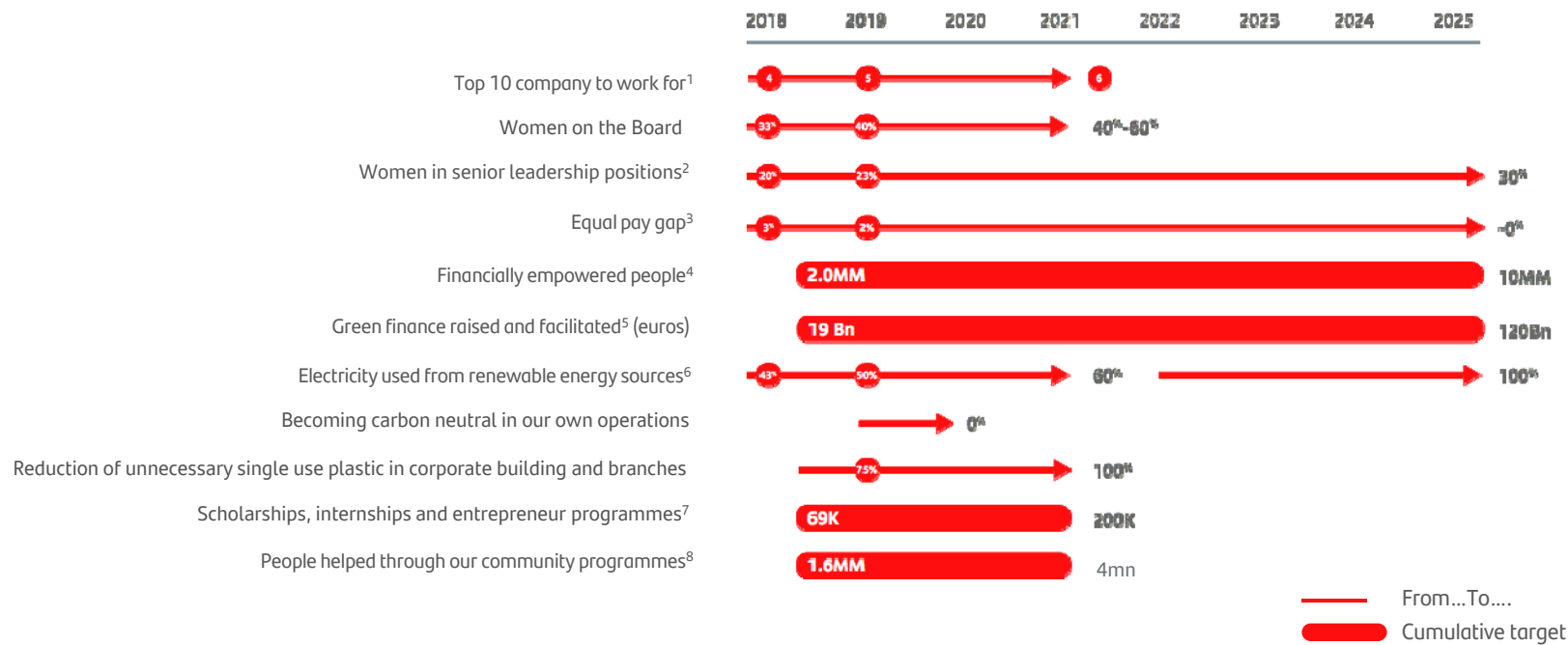


**+840k people** helped through our community Investment programs

02. Santander Group: Responsible banking

# ESG commitments: 'Walking the Talk' in sustainability.

In order to meet our commitment to be a more responsible bank and help society address the main global issues, we have identified **two challenges**: adapt to the new business environment and contribute to more inclusive and sustainable growth, with the following goals set in 2019 for the coming years.

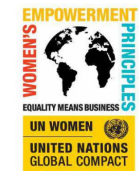


(1) According to relevant external indexes in each country (Great Place to Work, Top Employer, Merco, etc)  
 (2) Senior positions represent 1% of total workforce  
 (3) Calculation of equal pay gap compares employees with the same job, level and function  
 (4) Financially vulnerable people who receive tailored finance and increase their knowledge and resilience through financial education  
 (5) Includes Santander overall contribution to green finance. Commitment from 2019 to 2030 is EUR 220bn  
 (6) In those countries where it is possible to certify renewable sourced electricity for the properties occupied by the Group  
 (7) People helped by our community investment programs (excluded Santander Universities and financial education initiatives)  
 (8) People helped through our community investment programmes (excluded Santander Universities and financial education initiatives)



Collective  
Commitment to  
Climate Action

A Valuable  
500 Company



## 02. Santander Group: Responsible banking

# International awards on sustainability.

Santander has received international recognition for its sustainable performance.



Santander was ranked **1<sup>st</sup> 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**”.



Banco Santander has been selected for the second consecutive year as one of the **World's 25 Best Workplaces™**.



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.



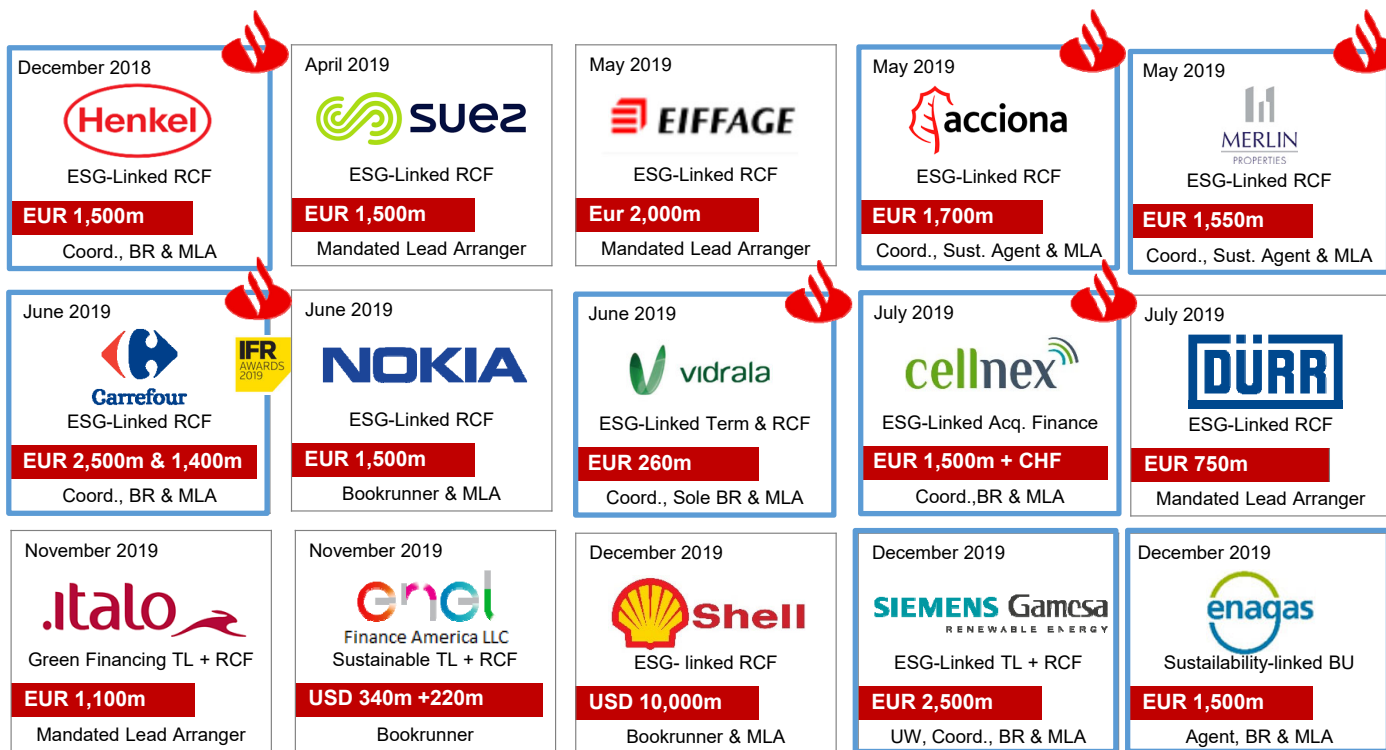
Santander CIB was named **project finance bank of the year in Europe** by Project Finance International.

## 02. Santander Group: Responsible banking

# Across the world, Santander is involved in significant ESG deals.

Santander has been present in 7 out of the 10 largest Green/ESG Corporate deals from 2019.

2019's Top 10 largest Green/Sustainable deals				
Company	Deal Value	Signed Date	Deal Nationality	Santander
Royal Dutch Shell	USD 10bn	Dec-2019	Netherlands	
Carrefour	EUR 3.9bn	Jun-2019	France	
SNCF	EUR 3.5bn	Nov-2019	France	
E.ON	EUR 3.5bn	Oct-19	Germany	
Prologis	USD 3.5bn	May-2019	US	
Crown Holdings	USD 3.25bn	Dec-2019	US	
Tennet TSO BV	EUR 3.0bn	Nov-2019	Netherlands	
Johnson Controls Int'	USD 3.0bn	Dec-2019	US	
Beatrice Offshore	GBP 2.54bn	July-2019	UK	
Suez Environ	EUR 2.5bn	Apr-19	France	



# 03

## Wealth Management: ESG Strategy



03. Wealth Management: ESG Strategy

# Santander Wealth Management: 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.

10  
hubs

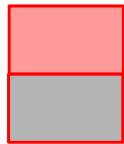
208,092  
clients

€395bn  
CAL

Unique  
global  
footprint

Specialised  
ESG  
bankers

Dedicated  
SAM ESG  
team



Global & local coverage

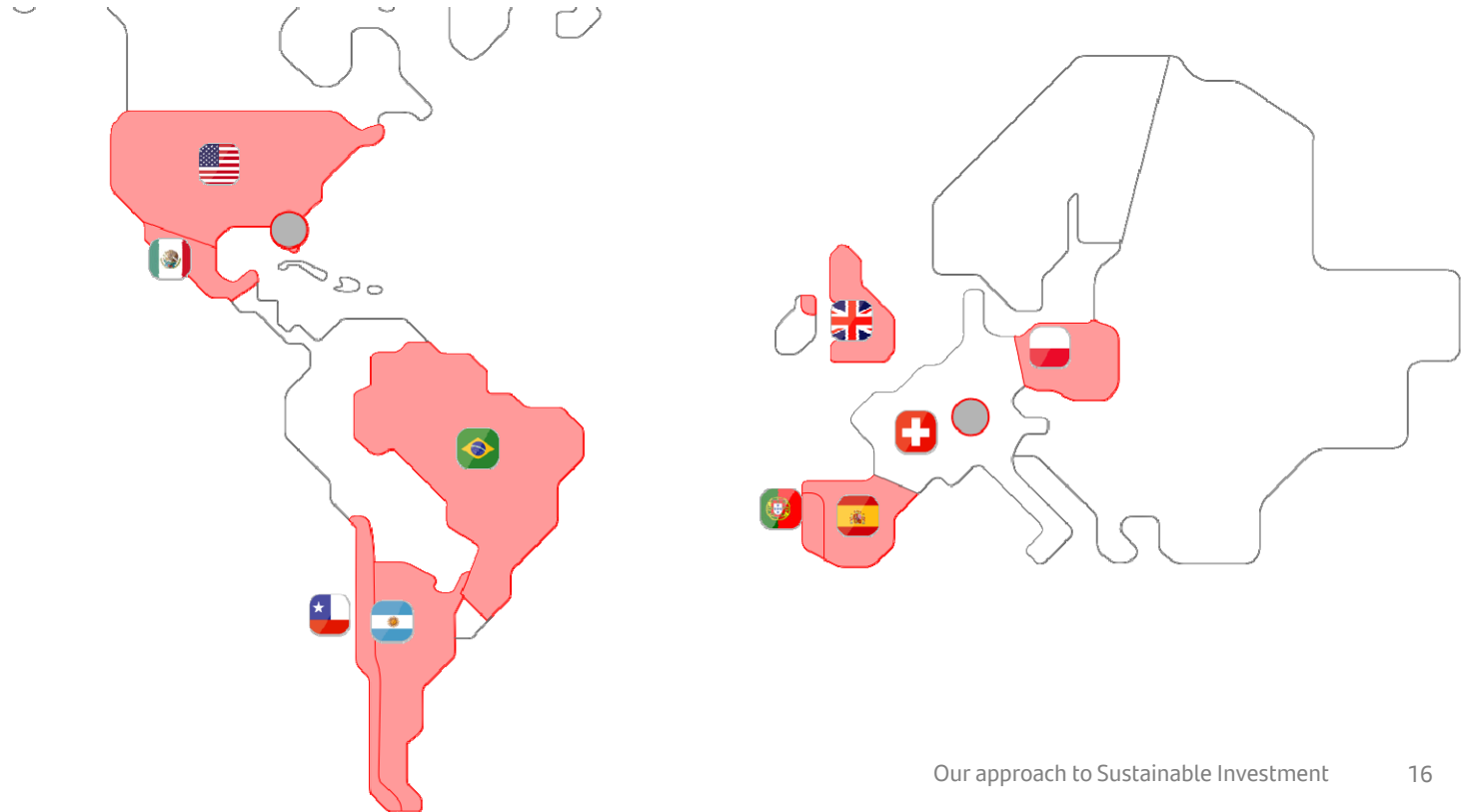
International platforms  
(International Private  
Banking services from  
bases in the USA and  
Switzerland)

Offering 100% ESG investment  
management on demand

SAM Signatory of:



Principles for  
Responsible  
Investment

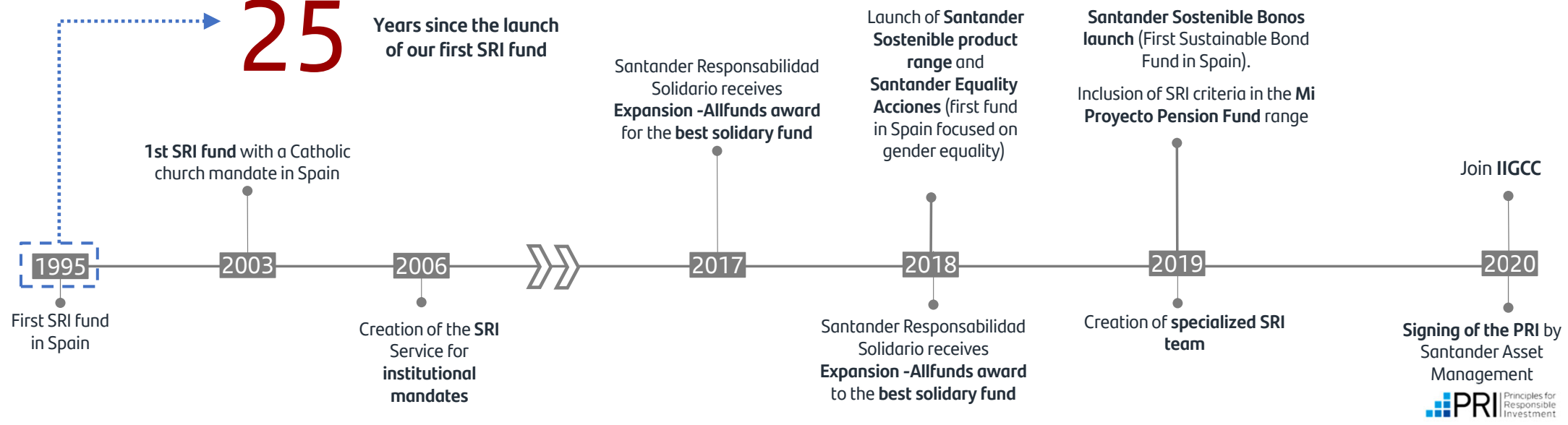




# Our experience speaks for itself.

Santander Asset Management ('SAM') has a proven track-record in sustainable investments of over 25 years and an expert ESG team.

**25** Years since the launch of our first SRI fund



+€5.4 bn under management in Santander Asset Management SRI products

Over €18 Mn donated in the last 6 years



Source: Santander Asset Management.  
SRI: Socially Responsible Investment



## Core products and services.

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

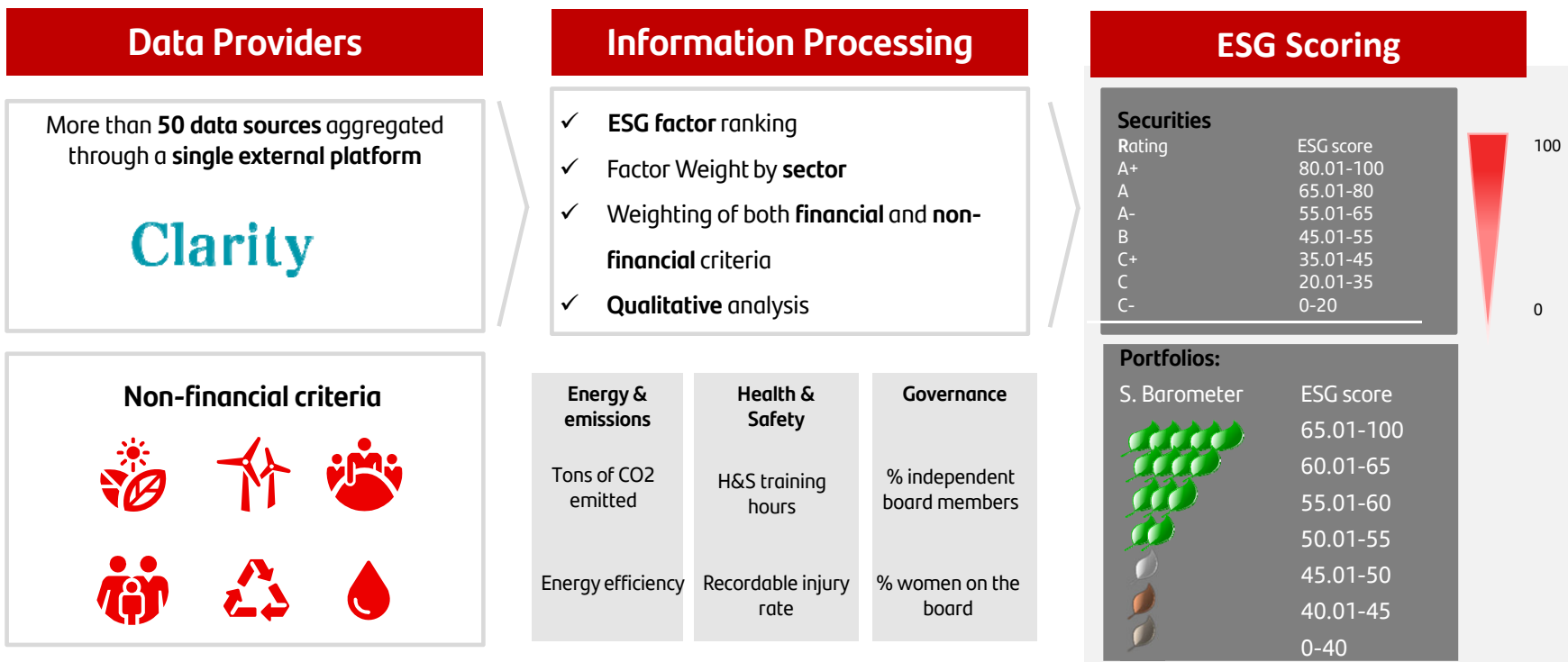
**ESG analysis & scorings** may be integrated into **investment decisions**, focusing on material ESG factors that can affect companies' financial performance



# I. 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.



Our approach to Sustainable Investment



## II. 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.

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	

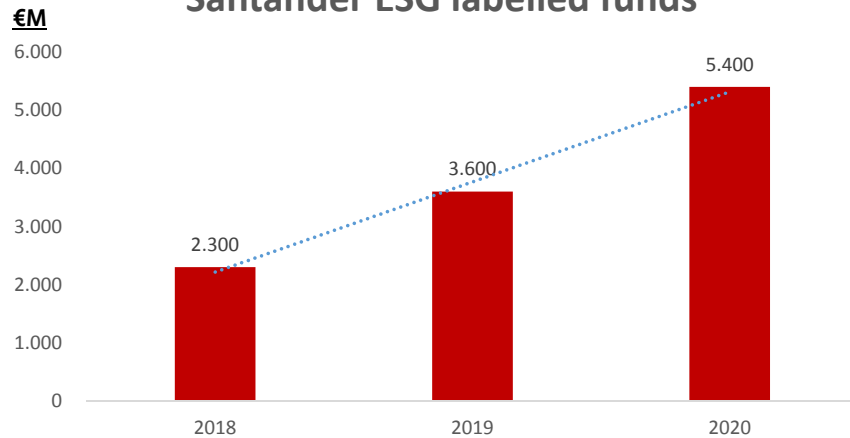


## II. Sustainable financial products

### Santander ESG labelled traditional funds.

Currently, SAM manages several ESG labelled funds across our core geographies, which amount to a total of c. EUR 5.4bn, demonstrating significant growth over time.

AuMs invested in Santander ESG labelled funds



### Key Funds Available

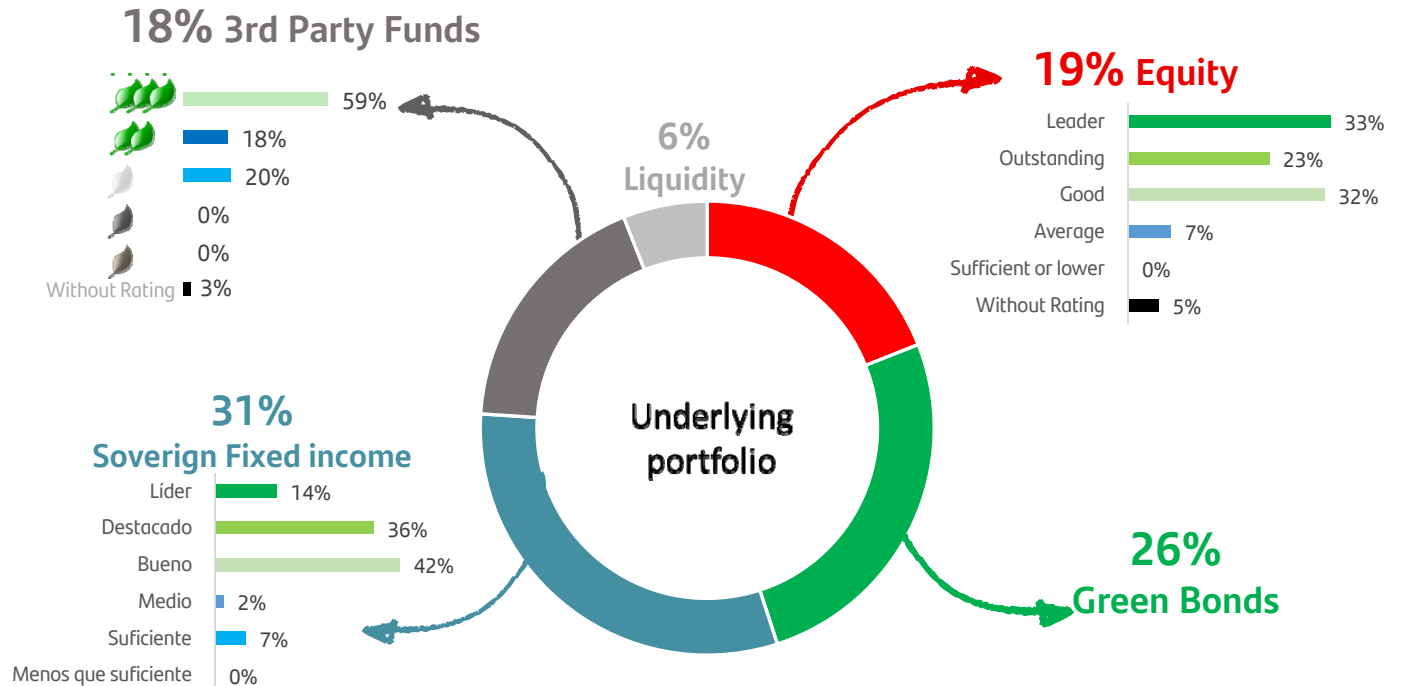
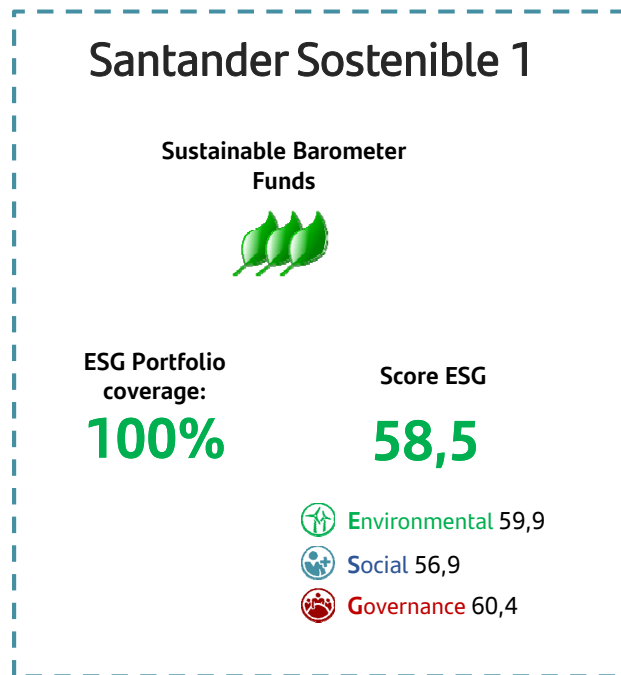
- Santander Sostenible 1 and 2
- Santander Sostenible Bonos
- Santander Sostenible Acciones



## II. Sustainable financial products

### Santander Sostenible 1:

Santander Asset Management also offers **Santander Sostenible 1** as a more **balanced** ESG solution, as it combines both equity and fixed income securities.

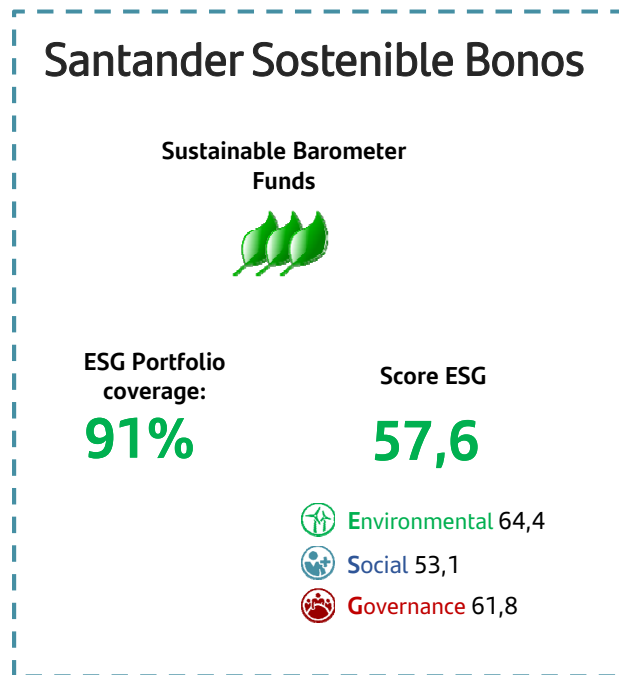




## II. Sustainable financial products

### Santander Sostenible Bonos:

One of the most relevant ESG funds offered by Santander Asset Management within fixed income asset class.



### Euro Fixed income Investing in Green Bonds in Spain



Renewable energy



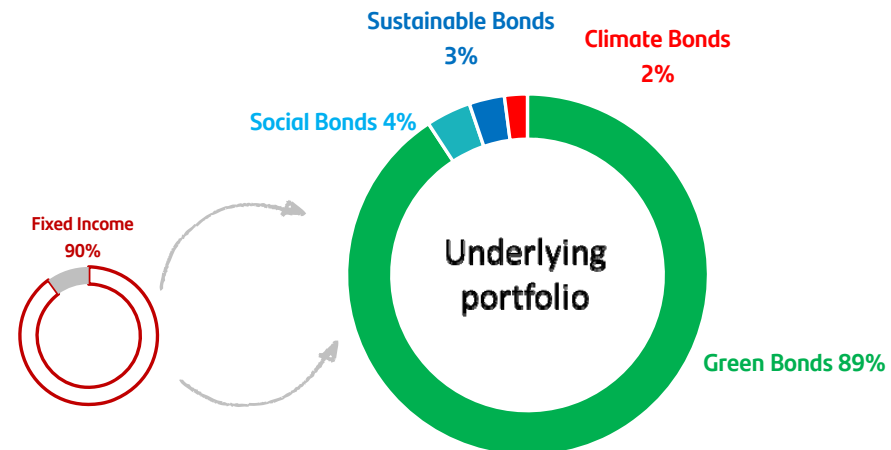
Energy efficiency



Clean transport



Responsible waste management

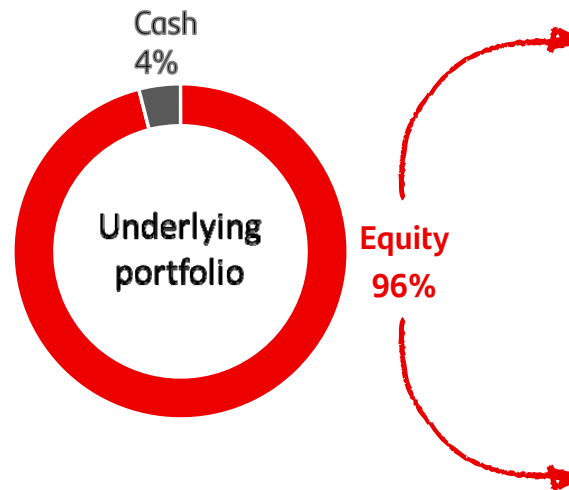




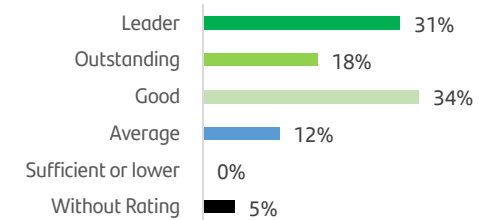
## II. Sustainable financial products

### Santander Sostenible Acciones:

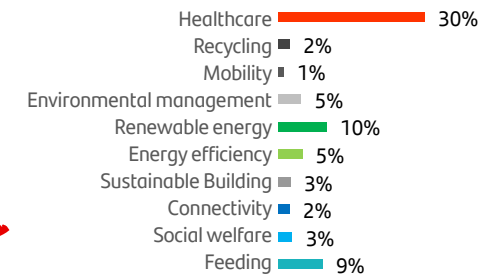
Santander Sostenible Acciones represents a core **ESG equity fund** from the Santander Asset Management range.



### Portfolio breakdown by SAM Sustainability Rating



### Portfolio exposure to sustainable businesses



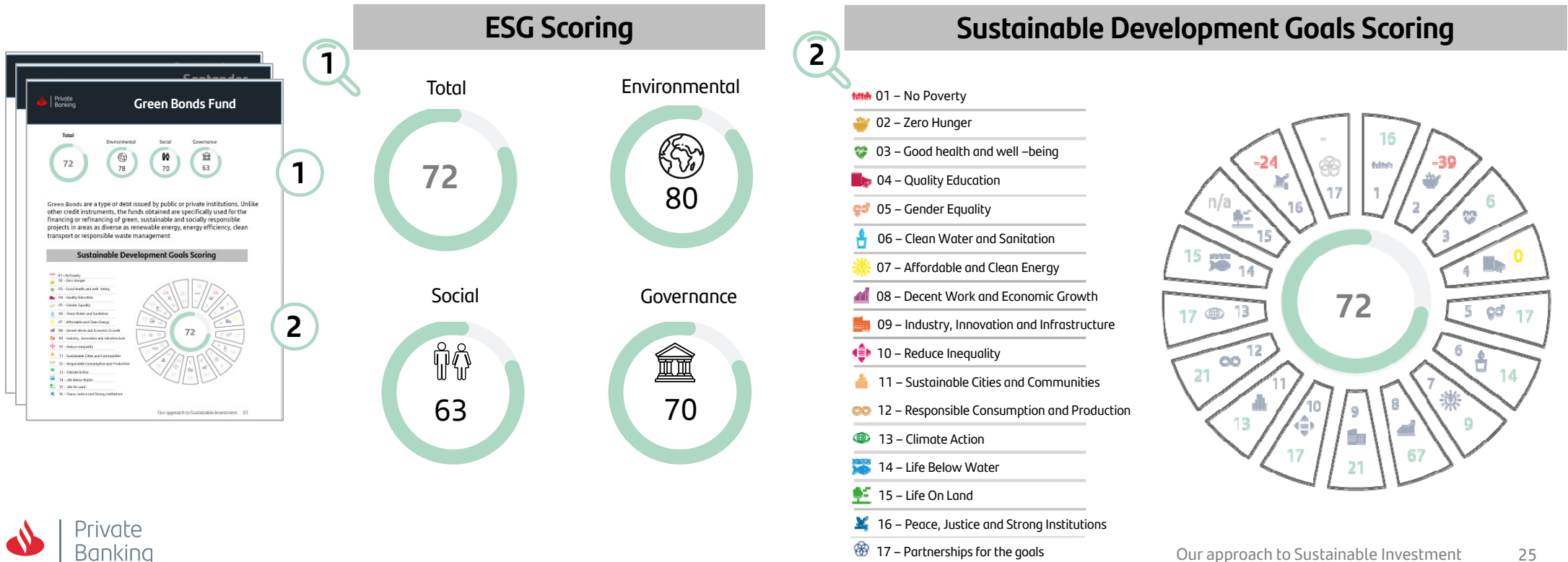




# III. Portfolio Advisory

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 the **ESG impact** of your investment portfolio and adapt it to your different sustainability goals.



03. Wealth Management: ESG Strategy

# Participation in key global initiatives.

Santander Asset Management and Santander Private Banking have been actively contributing and committing to sustainable investment initiatives at a global level.



Santander Asset Management is **signatory to the United Nations principles for responsible investment (PRI)**



Santander Asset Management was the **first Spanish asset manager** to join the Institutional Investors Group on Climate Change (IIGCC)



**Best Private Bank in ESG & Impact investing award** in Latin America, Chile, Mexico, Portugal and Spain



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



In 2009, Santander Asset Management became a **co-founder of SPAINSIF SRI forum**



**Participation in COP25:** SAM was the only asset manager organizing official events in the Green Zone



In 2020, **Santander Asset Management Brazil** signed the **commitment of the Investors for the Climate (IPC)** initiative



**Donations through solidary funds:** We collaborate with NGOs, through some of our SRI products to Support initiatives which help those who are at **risk of social exclusion**



**“We have worked together to offer benefits with a mission and thus to ensure that our **daily operations** help more **people and businesses** prosper in a **sustainable way**.”**

Ana Botín, Executive Chairman

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*Our goal is to become the best  
responsible Wealth Manager in  
Europe and the Americas.*