

General policy Soft Commodities Sector

SANTANDER GROUP

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1. INTRODUCTION

Forest resources (natural forests, planted forests and reforested areas) have an undeniable ecological value and, at the same time, represent a source of wealth that is seen in a large number of commercial activities such as wood processing, palm oil extraction, biofuel generation and the production of cellulose pulp for manufacturing paper.

Banco Santander, S.A. and its Group (“Santander” or “Santander Group”) are active in countries with a high level of production of forestry-based products. This requires that minimum standards be set to ensure the sustainability of projects and activities carried out in this field.

This purpose of this policy is to set out Santander's criteria in the soft commodities sector, always with consideration for the best practices and standards recognised internationally such as:

- Revised principles, criteria and certifications of the Forest Stewardship Council (FSC).
- The Programme for the Endorsement of Forest Certification (PEFC).
- Principles and Criteria for the Production of Sustainable Palm Oil (2013) issued by the Roundtable on Sustainable Palm Oil (RSPO).
- Standard for Responsible Soy Production issued by the Round Table on Responsible Soy (RTRS).
- The UNESCO World Heritage list.
- The Soft Commodities Compact developed by the Banking Environment Initiative.
- The Equator Principles

This policy is aligned to, and must be read in conjunction with, Santander Group's Sustainability Policy and Climate Change and Environmental Management Policy. For any cases not mentioned in this policy, Santander Group's general policies on sustainability will apply when appropriate.

2. POLICY OBJECTIVE

This document sets out Santander Group's policy on providing financial products and/or services (these will include debt, insurance, asset management, equity and advisory services) to activities with an impact on forests, tropical savannahs and savannah biomes, especially those involving the following:

- Extraction and processing of timber products
- Manufacture of wood-based cellulose and paper
- Soy plantations
- Oil palm plantations
- Rubber plantations
- Processing of soy, palm oil or rubber.
- Agriculture and cattle ranching
- Biomass or biofuel production (see also Energy policy).

3. SCOPE OF APPLICATION

As part of Santander Group's consideration of the environmental and social impacts of its business activities, the exclusion criteria describe as prohibited activities in Section V in this policy will apply to Santander Group's activities and clients regarding involvement of debt, insurance, assets management, equity, and advisory services.

Detailed assessments of the relevant environmental and social risk impacts will be required, in particular, from Santander Corporate and Investment Banking when engaging with the restricted activity subsectors set out in Section V.

4. TRANSPOSITION BY SUBSIDIARIES

This policy was drawn up by Banco Santander S.A. as the parent of the Santander Group, and is made available to the subsidiaries comprising the Group as a reference document, establishing the regime to be applied in the matters referred to.

The governance bodies of the Group's subsidiaries are responsible for drawing up and approving their own internal regulations to enable the stipulations of Group regulations to be applied in their respective areas, with any adaptations, where applicable, which may be strictly essential to make them compatible and enable them to comply with legal and regulatory requirements or with the expectations of their supervisors.

This approval must be validated at corporate level, so as to guarantee coherence with the regulatory system and the internal system of governance operated by the Group.

5. CRITERIA: PROHIBITED AND RESTRICTED ACTIVITIES

Prohibited activities:

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

- Developments in forested peatlands in High-Risk Geographies¹
- Extraction and sale of native tropical wood species not certified to FSC.
- Production facilities 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.

¹High Risk Geographies are defined as: Any country in Africa, Argentina (only the Provinces of: Chaco, Formosa, Santiago del Estero, Salta and Tucumán) Bolivia; Brazil (only the Legal Amazon and Northeast regions); Cambodia; China; Colombia; Ecuador; Estonia; Guatemala; Guyana; Honduras; India; Indonesia; Laos; Latvia; Lithuania; Madagascar; Malaysia; Mexico; Myanmar; Nicaragua; Panama; Paraguay; Papua New Guinea; Peru; Russia; Solomon Islands; Thailand; Vietnam; and any customer stating "unknown". The High-Risk Geographies will be reviewed in light of expansion of agribusiness in new regions.

Restricted activities:

Banco Santander, as a founding member of the Banking Environment Initiative (BEI), adopted the Soft Commodities Compact, a client-led initiative developed by the BEI that aims to mobilise the banking industry to help to improve the sustainability performance in the soft commodities supply chain.

With this aim, when providing financial products and/or services to clients or projects involved in the activities described in Section II, close attention will be given to the location of the facilities used for, and the sales derived from, the activities described as follows.

- Processes with an environmental impact in high ecological or social value forests listed as UNESCO World Heritage Sites.
- Extraction and sale of native timber species.
- Forestry plantations in forests listed as protected by official bodies.
- Developments in any forested areas that have suffered forest fires or mass deforestation in the last five years.
- Financing of activities that create the expansion of the agricultural/plantations frontier to the detriment of natural forest.

Finally, close attention will also be paid to those transactions or clients that are involved with High Risk Geographies in the following sub-sectors: timber, pulp and paper, palm oil, soy, biofuels and cattle ranching.

6. CONTROL, ASSESSMENT AND REPORTING

Units, as defined in the internal procedures, are responsible for the assessment of the environmental and social impacts in relation to client activities/transactions before submitting them for consideration to the risk committees. This will include, where applicable, compliance with Equator Principles or other international standards on environmental and social risk management. The units will also be responsible for monitoring, controlling and reporting on the client risk exposures and transactions assessed.

7. RELATIONSHIP TO OTHER POLICIES

This policy shall be construed in accordance with the Risk, Compliance & Conduct, Brand, Sustainability, Communication and Anti-money Laundering and Terrorism Financing corporate frameworks, as well as other general Santander Group policies regarding sustainability and other policies which the Group may develop regarding Reputational Risk.

However, if any conflict arises among those policies, this policy will prevail in the specific matters it covers.

8. OWNERSHIP, INTERPRETATION, DATE OF VALIDITY AND PERIODIC REVIEW

The owner of this policy is the Board of Directors of Banco Santander, S.A. Any subsequent material changes must also be approved by the Board of Directors.

This policy will also be reviewed by the Executive Risk Committee and the Responsible Banking, Sustainability and Culture Committee, so that all areas represented on it are fully aware of and take the necessary decisions to implement it.

This document will take effect on the date of its publication. Its contents will be subject to annual review and any changes or modifications considered appropriate will be made or, as the case may be, made.

The policy was last reviewed in December 2018.