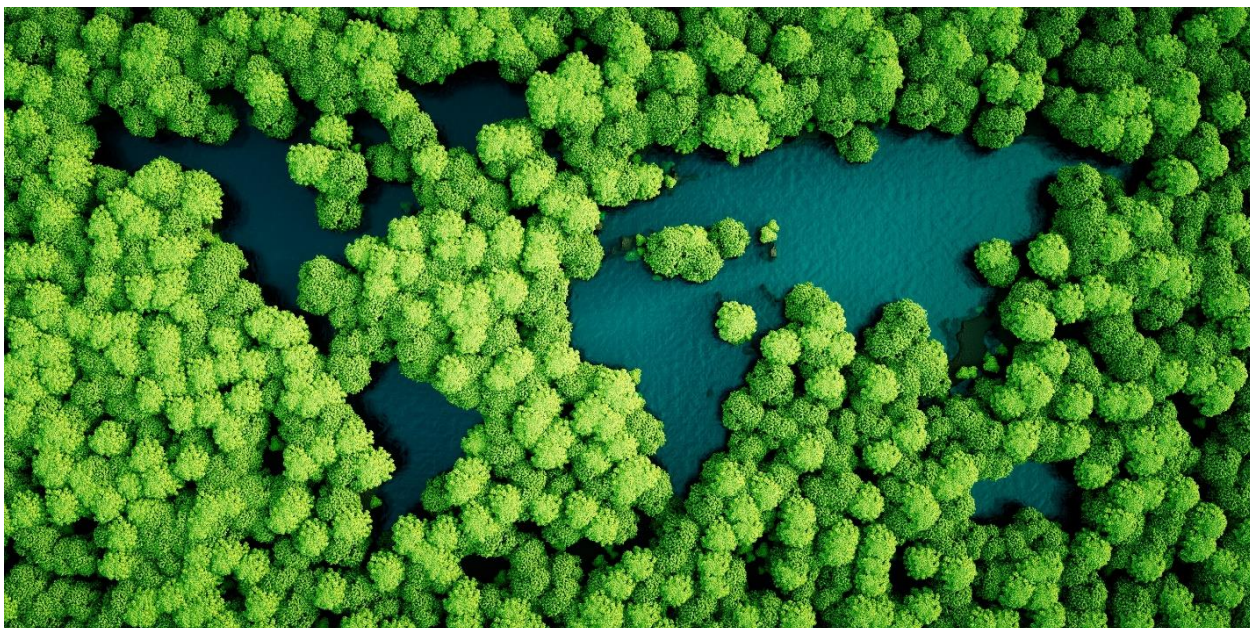


# Sustainable and responsible investment policy

March 2021

This policy applies to the Santander Group and its content has been properly adapted for use in Santander TFI S.A.



## 1. Introduction

Santander Group (hereinafter "Santander") can have a relevant impact on society and the environment through its investment activities.

On the other hand, environmental, social and governance aspects (hereinafter ESG) can have an impact on investments.

In this regard, there is already a high degree of consensus within the asset management industry with respect to the fact that the consideration of ESG aspects in investment decisions contributes to a better management of risks and to exploring new opportunities that create value for clients and society as a whole.

As asset managers, each local unit of Santander has the fiduciary duty to always act in the long-term interest of its clients. In order to fulfil this duty, it is necessary to consider the financial aspects together with the extra-financial ones in order to have a more complete vision of the assets under management, which often results in better-informed investment decisions.

Consequently, Santander's purpose is to act in a responsible manner, assuming a series of commitments beyond legal obligations, through a better management of risks and opportunities (including those related to sustainability), seeking to meet the financial objectives of customers while contributing to a sustainable development of businesses and society.

Santander's purpose is to try to maximize its contribution to sustainable development, promoting the positive impact of its activities, while being aware that these can generate adverse impacts on sustainability factors, which must be managed properly, trying to minimize them whenever necessary, keeping in mind the objective of always acting in clients' best interest.

Santander's responsible and sustainable investment approach is inspired by the United Nations Principles of Responsible Investment:

- Incorporate ESG issues into investment analysis and decision-making processes.
- Incorporate ESG issues into our ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the entities in which Santander invests.
- Promote acceptance and implementation of the Principles within the investment industry.
- Work together to enhance Santander's effectiveness in implementing the Principles.
- Report on Santander's activities and progress towards implementing the Principles.

This policy defines the sustainable and responsible investment (hereinafter SRI) approach of Santander and defines the criteria considered in the integration of ESG variables in the investment process. It also incorporates other relevant aspects as part of its fiduciary duty, such as the exercise of voting rights and engagement activities, which are described in detail in the corresponding policies defined in this regard.

## 2. Scope of application

This policy was drawn up by Santander Group and is made available to local units in each geography as a reference document, establishing the regime to be applied in the matters referred to in this policy.

Each local unit is responsible for drawing up and approving their own internal regulations to enable the local application of the provisions contained in this policy, with the adaptations that, where applicable, 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 policy aims to be applied to all asset classes, sectors and countries in which Santander invests through its active investment products managed by any entity within Santander Group.

The investment process defined in section 4 of this policy applies to direct investment in equities and fixed income, as well as to indirect investment through funds managed by third parties.

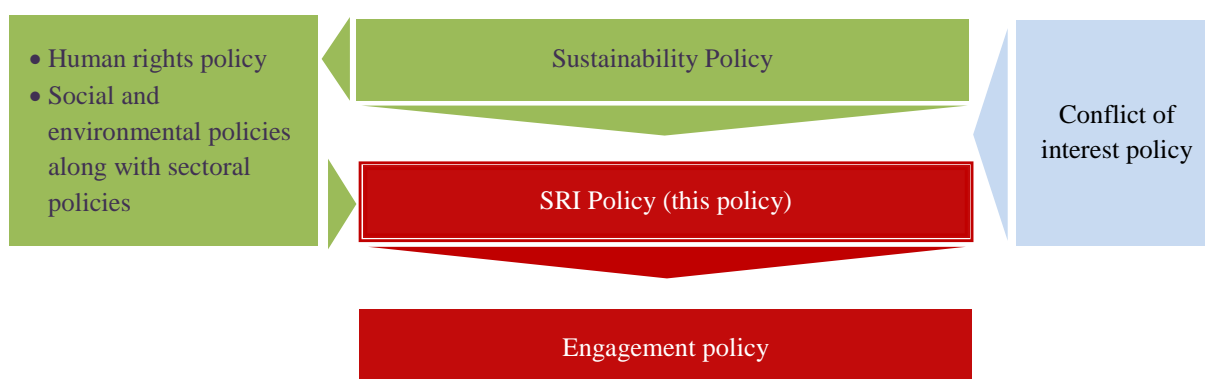
In the case of funds mandated to third-party managers, Santander performs an analysis of the manager's ESG capabilities, which is incorporated into the RFPs (Requests for proposal), being especially relevant for mandates with a sustainable and / or responsible approach.

### 3. General principles of reference and relationship with other policies

This policy, which defines the general guiding principles of Santander regarding sustainable and responsible investment, is based on the best practices included in international conventions and protocols, codes of conduct and internationally relevant guides on this particular subject, including:

- UN Principles for Responsible Investment.
- UN Global Compact.
- United Nation Sustainable Development Goals.
- United Nations: Universal Declaration of Human Rights.
- The United Nations Guiding Principles on Business and Human Rights.
- OECD guidelines for multinational companies.
- The International Labour Organization's (ILO) Fundamental Conventions.
- Agreements reached at the 2015 COP21 summit on climate change in Paris.
- Task Force on Climate Related Financial Disclosures Recommendations - Financial Stability Board.
- United Nations Convention Against Corruption.
- Conventions and treaties on non-proliferation of weapons included in Santander Group's General Policy on Defence Sector.
- International Corporate Governance Network (ICGN) Global Stewardship Principles.
- OECD Principles of Corporate Governance.
- Local Corporate Governance Codes (e.g. Spanish National Securities Market Commission's (CNMV) Code of Good Governance, UK Stewardship Code, AMEC Stewardship Code in Brazil, etc.).

This policy is complemented by other Santander Group policies, according to the following chart:



## 4. ESG methodology, tools and investment process

Santander carries out an ESG assessment of the different assets in which it invests, which allows a broader view of the sustainability risks and opportunities they present. This analysis seeks to identify those issuers that are better prepared to face future challenges and, therefore, have policies and management systems with greater potential for positive impact on society and the environment and that allow them to anticipate and avoid potential ESG risks.

The ESG assessment is a robust process that takes into account different components:

- A valuation analysis where the behaviour of issuers is assessed in relation to different environmental, social and governance factors. For this assessment, Santander uses the information provided by external data providers, incorporating it into its own valuation methodology. This methodology is designed by the Santander Group and based on market references and the main international frameworks and standards resulting in an ESG rating of each issuer.
- Exclusions based on the nature of the activities carried out by the issuers or on the identification of risks through the monitoring of possible controversial issues. The exclusions are based on the policies of Santander Group, which apply to different sensitive sectors. In addition, other exclusions are applied for non-compliance with regulations or are related to specific SRI products conditions.

The ESG evaluation of companies is based on the concept of double materiality and takes into account the impact of ESG criteria on investments, as well as the impact of investments on sustainability factors. This assessment is composed of general analysis criteria - common to all sectors - and specific criteria - depending on the sector and activity - covering all relevant ESG aspects related to the essential thematic areas for an environmental, social and good governance analysis.

For the analysis of governments, Santander uses ESG criteria adapted to the characteristics of each country.

Examples of ESG criteria:

	Analysis for companies	Analysis for governments
	<ul style="list-style-type: none"> <li>• Strategy and environmental management</li> <li>• Climate change</li> <li>• Natural resources</li> <li>• Pollution prevention and control</li> <li>• Natural habitats</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Climate change</li> <li>• Natural capital</li> <li>• Emissions and pollution</li> </ul>
	<ul style="list-style-type: none"> <li>• Human capital</li> <li>• Client and product</li> <li>• Community</li> <li>• Products and services with a social focus</li> <li>• Human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Health and nutrition</li> <li>• Education and wellbeing</li> <li>• Employment and equality</li> </ul>
	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Civil rights</li> <li>• Corruption</li> <li>• Government effectiveness</li> </ul>

Summary table of ESG analysis applications:

			All Santander funds	SRI products
Exclusions	Exclusions by activity	Exclusions related to Santander Group policies on sensitive sectors.	✓	✓
	Other exclusions	Exclusions related to the analysis of controversial issues and exclusions related to specific SRI products.		✓
Valuation analysis	ESG assessment	Analysis of the behaviour of issuers in relation to different environmental, social and corporate governance criteria.  It results in an ESG rating for each issuer (for which the necessary data for the assessment is available.)	✓	✓
	<i>Best in class analysis</i>	Analysis that aims to identify those issuers with a better ESG performance.		✓
	Thematic analysis	Analysis that seeks to identify those issuers that contribute prominently to the development of certain social and / or environmental issues.		✓

In the case of third-party funds, and when possible due to information availability, Santander conducts an ESG analysis in order to assess their alignment with Santander's SRI approach.

This analysis is carried out by Santander's global SRI team, through its own ESG methodology and is made available to the investment teams in the different local units. Additionally, the SRI team maintains continuous contact with the investment teams to ensure the appropriate interpretation of this information.

The ESG assessment is applied to all issuers of fixed income and equities and is integrated in our investment platforms in a systematic way together with financial information in order to be able to take into account information related to assets' sustainability risks in investment decisions.

## 5. Voting and engagement

Santander monitors the companies in which it invests in order to protect the interests of its clients, promote long-term value creation, manage risks and promote good governance in companies. Therefore, it carries out voting and engagement activities that are based on specific policies for this purpose.

### Voting

Voting policy establishes the guidelines to be considered in the voting process at the annual general meetings (and extraordinary general meetings, if applicable) of the companies in which Santander invests in. The policy is aligned with the applicable legislation and voluntary codes promoting best practices, and it is consistent with the respective objectives of each portfolio. Santander aspires to exercise its right to vote whenever possible and when the costs associated with exercising the right to vote do not exceed the potential benefits. The information necessary to decide the vote comes from different sources that include internal analysis, and can take as an input the recommendations of an external proxy advisor.

### Engagement

Santander seeks a double objective through dialogue and engagement activities with the companies in which it invests. On one hand, to understand in depth the issuers' business model, risks and opportunities. On the other hand, to promote change, so as to improve the strategy, management and reporting of environmental, social or governance aspects that are material for each issuer.

The engagement policy defines Santander's fundamentals regarding these engagement activities, which focus on those issues that are most relevant and have a greater impact on the value of the assets.

## **6. Transparency**

Santander expects issuers to report on the ESG aspects that are relevant to their activity and that can substantially influence the analysis and decisions of investors and other stakeholders.

In addition, being responsible for the investment implies being transparent about how Santander incorporates ESG aspects into its investment decisions. Therefore, Santander makes its sustainable and responsible investment policies available to its stakeholders, being accessible on the website.

Similarly, Santander strictly monitors and complies with reporting requirements legally required in each jurisdiction and with the requirements derived from adhering to voluntary initiatives or standards.

Santander is committed to transparency promotion so that all its stakeholders receive quality, accurate and timely information about their sustainable and responsible investment management. To this end, it promotes the continuous improvement of the reporting systems to provide better information about the incorporation of ESG criteria in the investment processes, as well as information regarding the voting and engagement activities carried out by Santander.

## **7. Policy ownership and updates**

The content of this policy constitutes a process of continuous improvement that will be reflected in periodic reviews of this document.

This policy was last revised in March 2021.

## Annex: Glossary

**Santander Group, Santander:** entities from Santander Group, including: Banco Santander S.A., Santander Bank Polska S.A., SAM Investment Holdings S.L., depending on the scope.

**Sustainable and Responsible Investment:** Type of investment that applies financial and extra-financial criteria in the analysis and investment processes.

**Fiduciary duty:** legal obligation of one of the parties to act in the best interest of the other. The most important fiduciary duties are to act in the best interest of the client, avoid any conflict of interest (duty of loyalty) and act with due care, skill and diligence (duty of prudence).

**ESG criteria:** Environmental, social and governance criteria.

**Voting rights:** Shareholders' right to vote at general shareholders meetings on corporate policy matters, including decisions on the composition of the board of directors, the initiation of corporate actions, the making of substantial changes in the operations of the corporation, etc.

**Engagement:** it is the practice of monitoring the behaviour of companies and establishing a dialogue with them, with the aim of improving information about them and promoting change in terms of strategy, risk management, ESG performance, etc.