

# Statement regarding the principal adverse impacts of investment decisions on sustainability factors

## KEY

This Principal Adverse Sustainability Impacts Statement of Banco Santander Totta, S.A. defines the procedure for the management of the principal adverse sustainability impacts in the Bank's investment decisions, as well as the main indicators used to identify and manage them.

**Key terms:** *factors, environment, social, corporate governance, commitment, engagement, adverse impacts, indicators.*

**Key references:** *environment, social, corporate governance, ESG, SRI, RI.*

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PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS STATEMENT

## Principal adverse sustainability impacts statement of investment decisions

Banco Santander Totta S.A.,  
549300URJH9VSI58CS32

### 1 Summary

Banco Santander Totta, S.A., Lei code n. 549300URJH9VSI58CS32, takes into account the principal adverse sustainability impacts of its investment decisions. This is the consolidated statement on the principal adverse sustainability impacts of Banco Santander Totta, S.A., (hereinafter "BST", "the Bank" or "the Entity").

The present statement regarding the principal adverse sustainability impacts covers the reference period from January 1, 2022, to December 31, 2022.

In accordance with regulatory requirements and SAN's methodology for measuring and managing Principal Adverse Impacts, take into accountation will be given to the 18 indicators of adverse sustainability impacts listed in Table 1, as well as the information related to additional indicators selected by the entity from Table 2 and Table 3 of the Technical Regulatory Standards (RTS) of the European Commission on ESG<sup>1</sup> disclosure.

#### 1. Indicators applicable to investments in investee companies

- Greenhouse gas emissions (GHG)
- Carbon footprint
- GHG intensity of investee companies
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity- sensitive areas
- Emissions to water
- Hazardous waste ratio
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)

#### 2. Indicators applicable to investments in sovereigns and supranationals

- GHG Intensity

<sup>1</sup> Delegated Regulation (EU) 2022/1288 of the Commission of April 6, 2022, which completes Regulation (EU) 2019/2088 of the European Parliament and of the Council regarding the regulatory technical standards that specify the details regarding content and presentation to be complied with information relating to the 'do not significant harm' principle, specifying the content, methods and presentation for information relating to sustainability indicators and principal adverse sustainability impact, as well as the content and presentation of information relating to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, websites and in periodic reports.

- Investee countries subject to social violations

### 3. Indicators applicable to investments in real estate assets

- Exposure to fossil fuels through real estate assets
- Exposure to energy-inefficient real estate assets

### 4. Additional indicators

- Investments in companies without carbon emissions reduction initiatives
- Number of detected cases of serious human rights issues and incidents

## 2. DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

### 2.1. Identification of the Principal Adverse Impacts

Banco Santander Totta, in its operations, seeks to maximize its contribution to sustainable development by promoting the positive impact of its activities and taking into account the objective of always acting in the best interest of its clients. In this context, Banco Santander Totta is aware that certain investment activities could potentially cause adverse sustainability impacts, and it strives to minimize them whenever possible.

By "Principal Adverse Sustainability Impacts" ("PASI"), we understand the relevant or potentially relevant negative effects on sustainability factors caused by investment decisions.

In portfolio management services, the identification and monitoring of the principal adverse impacts in the investment decision-making process are carried out by the asset manager of Grupo Santander (Santander Asset Management), the entity to which Banco Santander has delegated the management of clients' investment portfolios. This process is further defined in detail in point 3 of this Statement.

Below is a table that enables the identification, for each of the PAI indicators, the parameter used for measurement and the corresponding result during the reference period. It also includes any relevant commitments adopted by Grupo Santander, when applicable.

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### Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Measures taken, planned measures, and objectives set for the next reference period
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>				
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	10178.666 tons CO <sub>2</sub> e	BST, as part of the Grupo Santander, is committed to transitioning towards a more sustainable economy through actions aimed at directing investments towards less carbon-intensive business models.  This purpose is articulated through the <b>Grupo Santander general sustainability policy</b> .  Furthermore, BST is committed to complying with the best practices outlined in international conventions and protocols, codes of conduct, and applicable ESG (environmental, social, and governance) guidelines that are relevant to its activities, as stated in point 5 of this Statement.
		Scope 2 GHG emissions	2052.4778 tons CO <sub>2</sub> e	
		Scope 3 GHG emissions	68113.12 tons CO <sub>2</sub> e	
		Total GHG emissions	80504.83 tons CO <sub>2</sub> e	
	2. Carbon footprint	Carbon footprint	423.28467 tons CO <sub>2</sub> e / EUR M invested	
	3. GHG intensity of investee companies	GHG intensity of investee companies	796.0422 tons CO <sub>2</sub> e / EUR M revenue	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	10.35 %		
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Consumption: 58.9 % Production: 40.49 %		
6. Energy consumption intensity per high impact climate	Energy consumption in GWh per million EUR of revenue of investee companies, per high	Total: 0.78419113 GWh / EUR M revenue		

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sector	impact climate sector	Sector A: 0.17612652 GWh / EUR M revenue	Sector B: 1.1673026 GWh / EUR M revenue	Sector C: 0.34923062 GWh / EUR M revenue	Sector D: 2.5561185 GWh / EUR M revenue	Sector E: 2.3640978 GWh / EUR M revenue	Sector F: 0.13250276 GWh / EUR M revenue	Sector G: 0.07123403 GWh / EUR M revenue	Sector H: 1.3444813 GWh / EUR M revenue	Sector L: 0.44783068 GWh / EUR M revenue
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee	1.83 %	BST is committed to complying with the best practices outlined in international conventions and protocols, codes of conduct, and applicable ASG (environmental, social, and governance) guidelines that are relevant to its activities, as stated in point 5 of this Statement.						

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		companies negatively affect those areas cuando las actividades de dichas empresas afectan negativamente a esas zonas		
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00162005 tons / EUR M invested	For some indicators, the data availability provided by the data provider is limited, so it is not taken into account relevant for measurement (the available coverage for this indicator is below 30%)
Waste	9. Hazardous waste ratio	Tons of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	12.027951 tons / EUR M invested	For some indicators, the data availability provided by the data provider is limited, so it is not taken into account relevant for measurement (the available coverage for this indicator is below 60%)

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### SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Measures taken, planned measures, and objectives set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	7.96 %	<p>The <b>Grupo Santander Human Rights Policy</b> outlines the Group's commitment to respect and the promotion to human rights within its scope of operation and to prevent, or as applicable, minimize any direct violations caused by its activities, in line with the highest reference standards of the United Nations.</p> <p>Furthermore, BST is committed to complying with the best practices outlined in international conventions, protocols, codes of conduct, and applicable ESG guidelines that are relevant to its activities, as stated in point 5 of this Statement.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.87 %	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	14.04 %	



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				measurement (the available coverage for this indicator is below 50%)
13. Board gender diversity	Average ratio of female to male board members in investee companies	34.97 %		
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %		Through the <b>Grupo Santander Defense Sector Policy</b> , the Group commitment is established to not support the relationship with companies that manufacture, market, distribute, or engage in maintenance activities of materials defined as prohibited due to their connection to the weapons industry.

### INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Adverse sustainability indicator		Metric	Impact 2022	Explanation	Measures taken, planned measures, and objectives set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	223.13 tons CO2e / EUR M GDP		<p>BST, as part of Grupo Santander, is committed to transitioning towards a more sustainable economy through actions aimed at directing investments towards less carbon-intensive business models.</p> <p>This purpose is articulated through the <b>Grupo Santander general sustainability policy</b>.</p> <p>Furthermore, BST is committed to complying with the best practices outlined in international conventions, protocols, codes of conduct, and applicable ASG guidelines that are relevant to its activities, as stated in point 5 of this Statement.</p>
Social	16. Investee countries subject to social	Number of investee countries subject to social	Relative: 4,7 %		

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violations

violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law

The **Grupo Santander Human Rights Policy** outlines the Group's commitment to respect and the promotion to human rights within its scope of operation and to prevent, or as applicable, minimize any direct violations caused by its activities, in line with the highest reference standards of the United Nations.

Furthermore, BST is committed to complying with the best practices outlined in international conventions, protocols, codes of conduct, and applicable ESG guidelines that are relevant to its activities, as stated in point 5 of this Statement.

### INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Measures taken, planned measures, and objectives set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	-	There is no exposure to this type of assets.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	-	There is no exposure to this type of assets.

### Other indicators for principal adverse sustainability impacts

#### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Measures taken, planned measures, and objectives set for the next reference period
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#### Indicators applicable to investments in investee companies

#### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Water Emissions, Waste, and Emissions	4. Investments in companies without carbon emissions reduction initiatives	Percentage of investments in companies without carbon emissions reduction initiatives	66.19 %	BST, as part of Grupo Santander, is committed to transitioning towards a more sustainable economy through actions aimed at directing investments towards less carbon-intensive business models.
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aimed at aligning with the Paris Agreement.

This purpose is articulated through **Grupo Santander general sustainability policy**.

Furthermore, BST is committed to complying with the best practices outlined in international conventions, protocols, codes of conduct, and applicable ESG guidelines that are relevant to its activities, as stated in point 5 of this Statement.

### Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

#### SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Measures taken, planned measures, and objectives set for the next reference period
<b>Indicadores aplicables a las inversiones en las empresas</b>				
Fight against corruption and bribery	14. Number of detected cases of serious human rights issues and incidents	Number of cases of serious human rights issues and incidents linked to investee companies on a weighted average basis	0.0061507244	<p><b>Grupo Santander Human Rights Policy</b> outlines the Group's commitment to respect and the promotion to human rights within its scope of operation and to prevent, or as applicable, minimize any direct violations caused by its activities, in line with the highest reference standards of the United Nations.</p> <p>Furthermore, BST is committed to complying with the best practices outlined in international conventions, protocols, codes of conduct, and applicable ESG guidelines that are relevant to its activities, as stated in point 5 of this Statement.</p>

### 3 DESCRIPTION OF THE POLICIES TO DETERMINE AND PRIORITIZE THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

#### 3.1. Methodology for identifying and prioritizing the principal adverse impacts

In portfolio management services, the identification and monitoring of the principal adverse impacts in the investment decision-making process are carried out by Grupo Santander asset management company:

- Santander Asset Management, S.A., S.G.I.I.C. (hereinafter "SAM").

In this entity, the Bank has delegated the management of clients' investment portfolio assets.

With the aim of detecting and mitigating the principal adverse sustainability impacts arising from its activities, the Group's asset managers monitor and track the results of the indicators mentioned in the previous point. This is carried out through the application of a methodology developed by the entity to manage potential adverse impacts.

The methodology applied by the asset manager is based on comparing the performance of the aforementioned adverse impact indicators with a benchmark index. The benchmark index is assigned based on coverage, sectoral and geographical distribution, and the composition of the product, ensuring that it is representative and comparable. Subsequently, a contextualization exercise is conducted on the results of each indicator to determine whether a negative impact is occurring or not.

When an adverse impact is detected, each case is analyzed, and if necessary, appropriate actions are taken. These actions involve implementing mitigation measures deemed appropriate at that time.

Periodically, the results of this adverse impact analysis, as well as the management and/or mitigation actions taken, will be presented.

#### 3.2. Policies for detecting and prioritizing the principal adverse impacts

The bank is aware that certain investment activities can have adverse sustainability impacts, and it seeks to minimize them whenever possible by applying the criteria established in the Group's policies and Banco Santander's own policies.

- **General Sustainability Policy of Grupo Santander<sup>2</sup> (December 2019):** This policy outlines the commitment to take into account the environmental and social impact of Grupo Santander activities. It includes clear prohibitions and restrictions on financing activities that may have a direct environmental and social impact, including the long-term effects of climate change.

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<sup>2</sup> Available at [https://www.santander.pt/pdfs/investor-relations/sustentabilidade/outros/Politica\\_Geral\\_Sustentabilidade\\_BST.pdf](https://www.santander.pt/pdfs/investor-relations/sustentabilidade/outros/Politica_Geral_Sustentabilidade_BST.pdf)

- **Defense Sector Policy of Grupo Santander<sup>3</sup> (February 2023):** This policy specifies the investments in which Grupo Santander will not engage, including financing, support for the manufacturing, marketing, distribution, and maintenance services of materials defined in the policy.
- **Human Rights Policy of Grupo Santander<sup>4</sup> (December 2019):** This policy reflects Banco Santander, S.A. and its Group's commitment to human rights in accordance with the highest international standards, particularly the United Nations Guiding Principles on Business and Human Rights of 2011.
- **ESG Risk Integration Guide (June 2022)<sup>5</sup>:** This guide establishes the criteria and procedures to be followed for the identification, assessment, monitoring, and management of ESG risks in the advisory and portfolio management process of Banco Santander.

### 3.3. Method for selecting other indicators of principal adverse sustainability impacts

In order to select a social indicator and an environmental indicator from the list of additional indicators included in Annex I, Table 2 and Table 3 of the RTS (Regulatory Technical Standards), Banco Santander conducted an analysis of all the additional indicators, taking into account the following aspects: (i) the calculation metric, (ii) data availability (coverage), and (iii) the maturity of each indicator.

Additionally, the analysis incorporated the relationship between the indicators and the policies and mechanisms discussed in the previous points, resulting in the selection of the following two indicators for monitoring during this reporting period:

- Table 2, indicator 4. Investments in companies without carbon emissions reduction initiatives.
- Table 3, indicator 14. Number of detected cases of serious human rights issues and incidents.

This selection of indicators may be maintained, modified, and, if necessary, expanded in accordance with the evolution of regulations and the availability of data in the market in subsequent periods.

### 3.4. Data sources used

Banco Santander seeks to have the maximum possible coverage of information on the PASI indicators. In the event, the Bank may take into account implementing reasonable measures to improve data coverage, such as direct contact with data providers, among others. Currently, the average data coverage for the indicators exceeds 80%, with some exceptions, as indicated in the "Explanation" section of the table included in section 2.

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<sup>3</sup> Available at <https://www.santander.com/content/dam/santander-com/es/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-Pol%C3%ADtica%20sector%20defensa-es.pdf>

<sup>4</sup> Available at <https://www.santander.com/content/dam/santander-com/es/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-Pol%C3%ADtica%20de%20derechos%20humanos-es.pdf>

<sup>5</sup> Available at <https://www.santander.com/content/dam/santander-com/es/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-informacion-relativa-a-sfdr.pdf>

The results of the PASI indicators presented above have been obtained through external data providers (in this case Clarity AI Europe S.L.). These results refer to the underlying assets that make up Banco Santander's managed portfolios during the 2022 fiscal year.

### 4 POLICIES OF ENGAGEMENT

In the discretionary portfolio management process, the Bank delegates the management of these investment strategies to the asset management company of the Santander Group, Santander Asset Management.

**Santander Asset Management**, carries out engagement activities (voting and dialogue) based on specific policies. These activities are crucial for detecting potential adverse sustainability impacts, monitoring how companies manage them, and establishing escalation processes in case of inadequate or insufficient response from the companies.

### 5 REFERENCES TO INTERNATIONAL STANDARDS

BST, as an entity integrated into Grupo Santander, is committed to adopting and respecting the best practices outlined in international conventions and protocols, codes of conduct, and applicable ESG guidelines. Among them, the following deserve special mention:

- **United Nations Global Compact**, including the 10 Principles of the Global Compact and the Sustainable Development Goals (SDGs).
- **Principles for Responsible Investment: The Principles for Responsible Investment (PRI), supported by the United Nations**, are a global network of investment managers, asset owners, and SRI service providers committed to implementing responsible investments. The voluntary Principles aim to provide a framework for integrating ESG issues into investment decision-making processes and their management.
- **Equator Principles**: Guidelines for determining, assessing, and managing environmental and social risks associated with financial projects. The principles are structured into 10 principles and aim to avoid or minimize, mitigate, and/or compensate for negative environmental and social impacts.
- **CEO Partnership for Economic Inclusion**: Represents the first high-level private partnership to promote financial and economic inclusion. With a strong focus on seeking sustainable solutions that can drive business growth to expand inclusion among traditionally underserved customer groups such as women, farmers, immigrants, and small business owners.
- **United for Wildlife**: promotes global collaboration in the private sector to stop the trafficking of wildlife products through two working groups, one focused on finance and the other on transportation. These working groups bring together some of the world's largest companies in the transportation and finance sectors to break the chains of illegal wildlife trade.
- **World Business Council for Sustainable Development (WBCSD)**: an association composed exclusively of private sector organizations, of which Santander is a member. It has an alliance of over 60 business organizations from around the world led by CEOs. This network encompasses approximately 5,000 companies and is united by a shared commitment to provide business leadership for sustainable development in their

respective countries and regions.

- **Global Investors for Sustainable Development (GISD):** a group of leaders from major financial institutions and companies worldwide that aims to provide solutions to increase private financing and investment in order to achieve the Sustainable Development Goals (SDGs).
- **Women's Empowerment Principles (WEP):** a set of principles that guide businesses in promoting gender equality and women's empowerment in the workplace, marketplace, and community.
- **Net-Zero Banking Alliance (NZBA):** an alliance through which the Bank has set intermediate decarbonization targets for five sectors (thermal coal-related energy and mining, power generation, energy including oil and gas, aviation, and steel), and the ambition to achieve net-zero emissions by 2050.
- **The International Bill of Human Rights**
- **The Declaration of the International Labour Organization (ILO) on Fundamental Principles and Rights at Work and its eight core conventions.**

## 6 HISTORICAL COMPARISON

This statement corresponds to the first exercise of quantitative data reporting on PASI indicators (data from 2022). During 2021, the measurement methodology has been carried out qualitatively, so in some cases it has not been possible to make a comparison. For this reason, the first historical comparison of data will be provided for the next fiscal year (fiscal year 2024) with data comparison between 2022 and 2023.

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