

*Appendix to Management Board Resolution  
no. 179/2023 of 19 September 2023*

**2 POLICY**

# **ENVIRONMENTAL, SOCIAL & CLIMATE CHANGE RISK MANAGEMENT POLICY**

**SANTANDER BANK POLSKA S.A.**

This English version is a translation of the original text in Polish entitled “POLITYKA ZARZĄDZANIA RYZYKIEM SPOŁECZNYM, ŚRODOWISKOWYM I ZMIAN KLIMATYCZNYCH”. In case of discrepancy between both texts, the Polish version will prevail.

## TABLE OF CONTENTS

<b>1. INTRODUCTION</b>	<b>3</b>
<b>1.1. Purpose and context</b>	<b>3</b>
<b>1.2. Definitions</b>	<b>3</b>
<b>1.3. External references, regulations, standards and best practices:</b> Błąd! Nie zdefiniowano zakładki.	
<b>1.4. Scope of application</b>	<b>4</b>
<b>2. GENERAL CRITERIA</b>	<b>6</b>
<b>2.1. Prohibited activities</b>	<b>6</b>
<b>2.2. Activities requiring special attention</b>	<b>8</b>
<b>3. PROCESSES AND PARTICIPANTS</b>	<b>10</b>
<b>4. GOVERNANCE OF THE POLICY</b>	<b>11</b>
<b>4.1. Ownership of the policy</b>	<b>11</b>
<b>4.2. Interpretation</b>	<b>11</b>
<b>4.3. Effective date and review of the policy</b>	<b>11</b>
<b>5. CHANGE CONTROL</b>	<b>BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.</b>

## 1. INTRODUCTION

### 1.1. Purpose and context

Santander Bank Polska S.A. (“Bank”) recognises that Environmental and Social (E&S) issues pose some of the most significant challenges to the long-term prosperity of the global economy, the well-being of people and communities, and the natural environmental ability to support life. Furthermore, the correlation that exists between the responsible management of E&S risks and the mitigation of the long-term impacts on climate have been well established by science. The work conducted by the Intergovernmental Panel for Climate Change has been the foundation for international agreements, such as the Paris Accord, to combat the effects of climate change and spur the transition to a low carbon society.

Bank is committed to supporting clients and economies in their transition to a low carbon economy, providing financial products and/or services to business activities that are environmentally and socially responsible in line with its sustainability commitments and its support of the goals of the Paris Accord. This is a continuous endeavour, at different speeds for different countries, and with multiple external dependencies across public policy, technological developments and consumer needs amongst other factors, requiring ongoing engagement with clients in their transition to a low carbon economy. Attention must also be paid to the social problems that may arise such as the involuntary displacement of the local and/or indigenous population, the health, safety and human rights of the workers who carry out the business activities, and the impacts on local communities and other stakeholders affected by these activities.

Supporting the Bank’s ambition to become net zero carbon emissions by 2050 in their fight against climate change, it will set decarbonisation targets in those activities and sectors that pollute the most. To do so, the Bank will also engage with the customers to help them in their transition to a green economy.

Bank has committed to:

- from 2030 - stop investing in, and/or providing financial services to clients for whom coal fired generation represents directly more than 10% of revenues on a consolidated basis.
- have no exposure to thermal coal mining worldwide by 2030.
- Follow best practices, international standards, treaties and references<sup>1</sup>.

This policy sets out which activities are prohibited and those that require special attention from an environmental, social and climate change perspective in the Oil & Gas, Power Generation and transmission and Mining & Metals sectors and those arising from businesses engaged in soft commodities.

### 1.2. Definitions

This document sets out Bank’s criteria for (i) investing in entities, and/or (ii) providing financial products and/or services to customers involved in the following activities:

---

<sup>1</sup> See annex with non-exhaustive list of external references, regulations, standards and best practices

- **Oil & gas:** exploration, extraction, production and treatment including refining, transportation, storage and wholesale distribution<sup>2</sup>.
- **Power generation and transmission:** All power plants regardless of energy source and the construction and maintenance of electricity transmission lines<sup>3</sup>.
- **Mining:** prospecting and mining research, mining development and exploitation, restoration and recovery of the exploited natural space,
- **Metals:** processing of ores to extract the metal they contain, production of alloys from ingots, processing of by-products: scree, gangue, slag and sand,
- **Soft Commodities:** production and wholesale distribution of timber products for processing into lumber, wood-based cellulose, paper and textiles; soy; palm oil; rubber; cocoa; coffee; cotton; sugarcane; ; biomass<sup>4</sup> or biofuels, as well as beef production in High-Risk Geographies<sup>5</sup>. This also applies to those clients with at least 10% of their consolidated sales depend on directly buying these commodities from plantations or ranches.

For the purpose of this policy, financial products and/or services are defined as: transactions giving rise to credit risk, insurance, asset management, equity and advisory services.

Assessments of the relevant environmental, social and climate change risk impacts will be required for clients (in particular from Santander Corporate and Investment Banking) whose business activities relate to this policy.

The rules for performing such assessment are described in internal regulations.

This assessment of impacts should also be conducted in investment decisions for asset management and insurance products.

### 1.3. Scope of application

This document is applicable to Bank Santander Bank Polska S.A. and its subsidiaries:

- Santander Factoring sp. z o.o.,
- Santander Leasing S.A.

The Bank's objective within the Group's consolidated risk management process is to ensure compliance with the risk management standards and best practice across the Group. However, while ensuring a uniform approach within the Group, the Group's standards will be adapted to ensure compliance with local requirements. In particular Santander Consumer Bank S.A. which is a separate

<sup>2</sup> Excluding distribution to the final consumer

<sup>3</sup> Excluding distribution to the final consumer

<sup>4</sup> Biomass is defined as "the biodegradable fraction of biological products, residues and waste from agriculture (including vegetable and animal substances), forestry and similar industries (including fisheries and aquaculture)".

<sup>5</sup> High 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".

entity subject to banking regulations and KNF (Polish Financial Supervision Authority) supervision will be the company where an independent decision-making process will be used, as mandated by the law, and specific solutions suitable for Santander Consumer Bank's risk profile and business model will be applied. The solutions presented in the document will be generally reflected in the Santander Consumer Bank's internal regulations, however more specific solutions may differ from the ones applied by the Bank. The remaining members of Santander Bank Polska Group are expected to use this document as a basis for developing their own relevant documents.

## 2. GENERAL CRITERIA

### 2.1. Prohibited activities

Bank will not directly invest in and/or provide financial products and/or services to the following activities in any client segment:

- Any projects or activities for oil & gas extraction, power generation or transmission, mining & metals, manufacturing, plantations or other major infrastructure projects which put areas classified as Ramsar Sites<sup>6</sup>, World Heritage Sites<sup>7</sup> or by the International Union for Conservation of Nature<sup>8</sup> (IUCN) as categories I, II, III or IV at risk.
- Projects that, in accordance with IFC Performance Standard 7 - Indigenous Peoples<sup>9</sup>, require Free, Prior and Informed Consent (FPIC) and do not meet IFC Performance Standard 7 and there is not a credible action plan to achieve compliance

#### Oil & Gas:

- New oil upstream clients, except for transactions for the specific financing for renewable energy
- Project-related financing to Oil upstream greenfield projects<sup>10</sup>.
- Any projects, or expansion of existing facilities, north of the Arctic Circle.
- Projects involved in the exploration, development, construction or expansion of oil & gas extraction from tar sands, fracking or coal bed methane.
- Companies involved in exploration and production for whom the activities derived from the combination of fracking, tar sands, coalbed methane and Arctic oil & gas represent a significant part of their reserves, or account for more than 30% of their activity.

#### Power generation:

- From 2030, any entities with more than 10% of revenues, on a consolidated basis, directly derived from coal fired power generation.
- New clients with coal-fired power plants, except for transactions for the specific financing for new renewable energy facilities. In these exceptions, the client must have a robust, credible plan, with verifiable targets, which show the client will reduce its revenues coming from coal power generation to 10% or below by 2030.
- Project-related financing for new coal-fired power plants projects worldwide, or for the upgrade and/or expansion of existing coal-fired plants

<sup>6</sup> The Convention on Wetlands, called the Ramsar Convention, is the intergovernmental treaty that provides the framework for the conservation and wise use of wetlands and their resources. (<https://www.ramsar.org/>)

<sup>7</sup> World Heritage Sites: <http://whc.unesco.org/en/list>

<sup>8</sup> The International Union for Conservation of Nature (IUCN) classifies protected areas according to their environmental management objectives: Category I: Nature Reserve And Wilderness Areas, Category II: National Park, Category III: Natural Monument or Feature, Category IV: Habitat/Species Management Area

<sup>9</sup> [https://www.ifc.org/wps/wcm/connect/3274df05-7597-4cd3-83d9-2aca293e69ab/PS7\\_English\\_2012.pdf?MOD=AJPERES&CVID=jiVQI.D](https://www.ifc.org/wps/wcm/connect/3274df05-7597-4cd3-83d9-2aca293e69ab/PS7_English_2012.pdf?MOD=AJPERES&CVID=jiVQI.D)

<sup>10</sup> Defining Greenfield as those fields whose approval for development is after May 2021.

- Project-related financing for the construction or development of infrastructure projects whose expected revenues from coal power generation-related activities will be more than 30% of the project's revenues in the first five years.
- Nuclear Power Plants if:
  - The host country<sup>11</sup> is not a member of the International Atomic Energy Agency (IAEA).
  - The host country has not ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Materials or the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (or has not taken the appropriate measures to be aligned with the requirements included in these conventions).
  - The host country has not ratified the Non-Proliferation Treaty (NPT) and the International Convention for the Suppression of Acts of Nuclear Terrorism.
  - The host country does not have a national safety agency (NSA) for nuclear activities that:
    - Is established, independent and capable (in terms of creating a regulatory environment that requires good environmental and social performance throughout the life cycle of the facility)
    - Is authorised to conduct inspections and impose sanctions if required;
    - Has rules in line with the recommendations of the IAEA.

#### **Mining & Metals:**

- From 2030 clients that own thermal coal mines worldwide.
- New clients that own thermal coal mining operations and projects worldwide, except for transactions for the specific financing for renewable energy. In these exceptions, the client must have a robust, credible plan, with verifiable targets, which show the client will have no thermal coal by 2030
- Project-related financing for new, or the expansion of thermal coal mines.
- Project-related financing for the construction or development of infrastructure projects whose expected revenues from coal mining-related activities will be more than 30% of the project's revenues in the first five years.
- Extraction, processing or wholesale distribution of asbestos;
- Extraction or wholesale distribution of rough diamonds not certified by the Kimberley process<sup>12</sup>;
- Mining activities relating to the so-called "conflict minerals" extracted from conflict areas and not included in the corresponding certification processes;

---

<sup>11</sup> The Host Country is the country/ies where the facility/reactor/nuclear activities are located and where the client company (and its parent if different) is incorporated.

<sup>12</sup> The Kimberley Process Certification Scheme (KPCS) is the process established in 2003 by the UN General Assembly to prevent "conflict diamonds" that may be used to finance war or human rights abuses, from entering the mainstream rough diamond market

- Mining activities without a specific treatment to avoid tailings disposal in riverine or shallow sea environments (such as tailings storage facilities or dry stack);

**Soft commodities:**

- Extraction of native tropical wood species not certified to FSC.
- Palm oil processors that are not certified to the RSPO;
- Developments in forested peatlands in High-Risk Geographies<sup>13</sup>

**2.2. Activities requiring special attention**

The sectors included in this policy (oil and gas, power generation and transmission, mining and metals, and "soft commodities") have been selected based on their potential environmental, social, and climate change impact and they require special attention.

For clients (in particular from Corporate and Investment Banking) whose business activities relate to these sectors, a detailed analysis is performed, including the following relevant activities:

- Any activities that involve the resettlement of indigenous people and/or other vulnerable groups.

**Oil & Gas:**

- Exploration, development, and production (including drilling activities)
- Midstream and downstream activities.
- Any other activities in the O&G sectors that are not prohibited activities

**Power Generation:**

- Transactions involving nuclear power generation.
- Transactions involving solid and gaseous biomass<sup>14</sup> power plant for heat and electricity generation in order to assess the sustainable use of biomass.
- Transactions relating to large dams, as defined by International Commission of Large Dams.

**Mining & Metals:**

- Management of tailings;
- precious minerals and metals;
- Steel manufacturing, including steelmaking from recycling;

<sup>13</sup> High 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.

<sup>14</sup> For purposes of the Energy Policy, biomass is defined as "the biodegradable fraction of biological products, residues and waste from agriculture (including vegetable and animal substances), forestry and similar industries (including fisheries and aquaculture); and the biodegradable fraction of industrial and municipal waste".



- Uranium<sup>15</sup>;
- Those activities involving the removal of mountain tops;

**Soft commodities:**

- Industrial processes in High-Risk Geographies with an environmental impact on nearby 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.
- 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.
- Activities with an impact on tropical forests, tropical savannahs, and savannah biomes or located in High-Risk Geographies.
- Deforestation risk with agribusiness clients in the Amazon biome.

---

<sup>15</sup> Must also meet the criteria included in the Defense policy.

### 3. PROCESSES AND PARTICIPANTS

Environmental, social and climate change risk analysis is carried out in accordance with established procedures.

This analysis must be integrated into the workflow and governance structures established for the management and control of risks. It is the responsibility of the risk approver (committee or individual authorizer) to ensure that decisions are made taking into account the environmental, social and climate change risks, and the criteria defined in this policy.

## 4. GOVERNANCE OF THE POLICY

### 4.1. Ownership of the policy

The Credit Risk function is responsible for drawing up this policy.

The owner of this policy is Risk Strategy Department in Risk Management Division. The document is approved by the Management Board in accordance with the regulatory risk model.

### 4.2. Interpretation

Risk Strategy Department is responsible for interpreting this policy.

### 4.3. Effective date and review of the policy

This policy will come into force on the date indicated in the Management Board Resolution adopting it.

Its contents will be reviewed on a regular basis, and any changes or modifications considered appropriate will be made.

## ANNEX: Non-exhaustive list of external references, regulations, standards and best practices:

- The Equator Principles.
- The standards for social and environmental performance and the explanatory notes of the International Finance Corporation (IFC).
- The United Nations Global Compact, the Universal Declaration of Human Rights; the International Labour Organization Declaration; the Convention on the Rights of the Child; the Rio Declaration on Environment and the United Nations Convention against corruption.
- Task Force on Climate-related Financial Disclosure (TCFD).

### Oil & Gas:

- The International Petroleum Industry Environmental Conservation Association (IPIECA).
- The International Association of Oil & Gas Producers (IOGP).

### Power generation:

- The Recommendations of the World Commission on Dams (WCD).
- The International Hydropower Association (IHA).
- The International Atomic Energy Agency (IAEA) and, more specifically:
  - The IAEA Safety Standards (i.e., the Safety Fundamentals, the General Safety Requirements and the General Safety Guides).
  - The Convention on Nuclear Safety.
  - The Convention on the Physical Protection of Nuclear Materials, the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management.
- The Non-Proliferation Treaty (NPT).

### Mining & Metals:

- The EU Conflict Minerals Regulation (EU 2017/821).
- UN Environmental Programme and GRID Arendal report on Mine Tailings Storage.
- International Council on Mining and Metals Review of Tailings Management Guidelines and Recommendations for Improvement.
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
- The Kimberley process in the mining and trade of diamonds.
- International Cyanide Management Code for the Manufacture, Transport, and Use of Cyanide in the Production of Gold.

### Soft commodities:

- The Forest Stewardship Council (FSC).

- The Programme for the Endorsement of Forest Certification (PEFC).
- The Roundtable on Sustainable Palm Oil (RSPO).
- The Round Table on Responsible Soy (RTRS).
- Bonsucro.
- The Better Cotton Initiative.
- The Common Code for the Coffee Community (4C).