

Impact Report for Bonds and Loans

Santander Group Green, Social and Sustainability Funding Global Framework




Impact Summary

Sustainalytics has calculated the estimated impact achieved by the sustainability notes issued by Santander Holdings USA, Inc. ("SHUSA") in September 2022. Since issuance, USD 334 million has been allocated to earmarked projects in the Affordable Housing category and USD 166 million has been allocated to earmarked projects in the Renewable Energy category. The projects are located within SHUSA's US footprint, with cities located within Northeast, Southeast, and South-Central regions. Using the number of individual housing units financed and the number of individuals financed as of 30 June 2024, Sustainalytics has calculated the beneficiary savings of USD 68 million over a 12-month period.

Evaluation Date 20 December 2024

Issuer Location USA




 **\$500M**
Allocated funds

 **\$68M**
Annual Beneficiary Savings

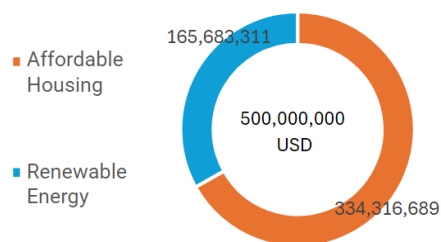
 **35**
Projects and Funds

 **5.4K**
Number of Individual Housing Units Financed

 **1**
Country

 **188**
Annual emissions avoided (KtCO₂e)

Financed Projects by Allocated Amount



United States
35 Projects and Funds



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Introduction

In 2022, Santander Holdings USA, Inc. (“SHUSA”) issued its inaugural sustainability note in which SHUSA allocated an amount equal to the net proceeds from the offering specifically for earmarked assets that meet the Eligibility Criteria in the Santander Group Green, Social & Sustainability Funding Global Framework (the “Framework”).¹ In 2023, Banco Santander, S.A. (“Santander Group”), SHUSA’s parent company, updated the Framework, which supersedes and replaces the prior version created in 2022. Sustainalytics provided a Second-Party Opinion on the Santander Group Green, Social & Sustainability Funding Global Framework, evaluating it as credible, impactful, and aligned with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021.^{2,3}

SHUSA engaged to quantify the environmental benefits of the projects financed with the proceeds from SHUSA’s structure notes. Using established methodologies, Sustainalytics has estimated avoided emissions from SHUSA’s renewable energy projects and estimated the beneficiary savings for affordable housing projects. This report presents the details of our findings, including a description of the methodology used to calculate the impacts.

Scope of Work and Limitations

SHUSA has engaged Sustainalytics to calculate the estimated social and environmental impacts of the projects financed through the sustainability notes. For this work, Sustainalytics relied on the data provided by SHUSA on the amount allocated and the technical data on the projects financed.

Sustainalytics’ impact reporting is aligned with ICMA’s June 2024 Handbook – Harmonised Framework for Impact Reporting and ICMA’s June 2023 Harmonised Framework for Impact Reporting for Social Bonds.^{4,5} The methodology and assumptions made for the impact calculation are outlined in the methodology chapter.

As part of this engagement, Sustainalytics exchanged information with various members of SHUSA’s management team to understand the sustainability impact of its projects. Through these exchanges, SHUSA’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of the SHUSA to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information;
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information.

¹ The Santander Green Bond Framework Second Party Opinion is available at: <https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/financiaci%C3%B3n-de-proyectos-sostenibles/prf-santander-green-bond-funding-framework-february-2022-en.pdf>

² The bond-related principles, guidelines and handbooks are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbook>

³ The loan-related principles and guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

⁴ ICMA, “Handbook - Harmonised Framework for Impact Reporting”, 2024, at [Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf](https://www.icmagroup.org/handbook-harmonised-framework-for-impact-reporting-june-2024.pdf) (icmagroup.org)

⁵ ICMA, “Harmonized Framework for Impact Reporting for Social Bonds”, 2023, at [Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf](https://www.icmagroup.org/harmonised-framework-for-impact-reporting-for-social-bonds-june-2023-220623.pdf) (icmagroup.org)

Impact Findings

For reporting, Sustainalytics follows the ICMA Harmonised Framework for Impact Reporting and the ICMA Harmonized Framework for Impact Reporting for Social Bonds, which synthesize market expectations and outline recommendations for impact reporting to create a standardized reporting structure and to enhance the understanding of the impact to all stakeholders including bond investors.^{6,7}

Tables 1 and 2 below provide a summary of the impacts related to Affordable Housing and Renewable Energy at the portfolio-level, which Sustainalytics calculated from the earmarking of proceeds from SHUSA's sustainability notes. Tables with more detailed data can be found in the Appendices.

Table 1: Summary of Impact – Affordable Housing

Allocated Amount	Financed Number of Individual Housing Units	Financed Number of Individuals	Average Beneficiary Savings, Monthly	Beneficiary Savings	Financed Annual Total Beneficiary Savings	Financed Annual Total Beneficiary Savings /Allocated Amount
USD	#	#	USD	%	USD	USD/USD
334,316,689	5,439	16,914	1,040	38%	67,885,880	0.20

Table 2: Summary of Impact- Renewable Energy

Allocated Amount	Financed Direct Emissions Avoided	Financed Indirect Emissions Avoided	Financed Emissions Avoided	Financed Emissions Avoided/USD million
USD	tCO2e/year	tCO2e/year	tCO2e/year	tCO2e/year/M USD
165,683,311	152,330	35,187	187,517	1,113.78

Methodology

Sustainalytics developed its own methodologies for quantifying GHG avoidance and other metrics, including leveraging publicly available best-in-class methodologies, protocols and frameworks that are currently industry best practice. First, our estimation practices and general principles rely on the *GHG Protocol*.⁸ Our methodologies are based on guidance provided by the International Financial Institutions' (IFIs)⁹ *Approach to GHG Accounting for Renewable Energy Projects*,¹⁰ notably on calculation methodology and global emissions. In addition, we rely on the Partnership for Carbon Accounting Financials' (PCAF) *Global Accounting Standard*¹¹ for guidance on estimation where data is not readily available and assumptions must be made. Finally, the UN's *Clean Development Mechanism*¹² provides guidance and information, serving as the foundation for these and other methodologies, including those implemented in this report.

⁶ ICMA, "Handbook - Harmonised Framework for Impact Reporting", 2024, at [Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf \(icmagroup.org\)](https://www.icmagroup.org/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf)

⁷ ICMA, "Harmonized Framework for Impact Reporting for Social Bonds", 2023, at [Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf \(icmagroup.org\)](https://www.icmagroup.org/Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-June-2023-220623.pdf)

⁸ The Greenhouse Gas Protocol provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions (<https://ghgprotocol.org/>).

⁹ Close to 25 institutions are currently members of the *IFI Technical Working Group*, and include multilateral development banks, such as the Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, and the World Bank Group. The UNFCCC secretariat has been a member of the IFI TWG since 2015.

¹⁰ The IFI Approach to GHG Accounting for Renewable Energy is in accordance with the *International Approach to Greenhouse Gas Accounting*. A technical working group of IFI's have agreed to a common *methodology* and set of *emissions factors* for GHG accounting of electricity production from renewable energy projects.

¹¹ PCAF is a group of leading international financial institutions that launched a global initiative to develop a global GHG accounting standard to increase the number of financial institutions applying the standard and ultimately make GHG accounting common practice within the financial industry (<https://carbonaccountingfinancials.com/>).

¹² CDM, "Methodologies Booklet", at: <https://cdm.unfccc.int/methodologies/documentation/index.html>

Affordable Housing

Affordable housing is offered to a target group at a significantly lower price than housing of the same quality offered in the market. It is assumed that in the absence of affordable housing, the inhabitants would have needed to pay market rent for housing, and the difference between the two is the beneficiary savings.

- a) The affordable rent of the project itself is built on data from the issuer to the extent available. Where no detailed rent data is available, affordable rent is estimated with eligibility criteria, where the highest rent that can be considered affordable is estimated
- b) The market rent, which constitutes the baseline for the estimate, is sourced from credible regional statistics

Data Sources and Assumptions

- For estimating the affordable rent, the beneficiary's income criteria were used together with median household income statistics¹³ to estimate the maximum income a household can have and still be eligible for affordable housing. The maximum affordable rent criterion,¹⁴ which was sourced from the US Department of Housing and Urban Development, was used together with statistics on the average household size¹⁵ to estimate the maximum rent that households fulfilling the income criteria can pay in rent and still be considered affordable. As the actual affordable rent is unknown, the highest rent was used to determine a conservative estimate for affordable rent.
- For estimating the market rent, city-level data was sourced from US government sources.¹⁶ Based on this data, region- and state-wide values were estimated with population weights.¹⁷ When the exact location is unknown, the average of several cities in the wider geography is used.

Renewable Energy

It is assumed that the energy generated by the projects crowd out a mix of current and upcoming planned generation capacity and, therefore, associated emissions. The approach taken to derive the greenhouse gas emissions avoidance uses:

- a) The emissions of the renewable energy projects, which is often (but not always) zero; and
- b) The baseline emissions or emissions occurring in the absence of the project. For electricity generation, these emissions are based on the energy mix used to supply electricity to the local grid.
- c) Financed project avoided emissions are calculated by using the share of project financing of the total project emissions avoided from the above calculations.

Data Sources and Assumptions

- The baseline emission factors for the countries where projects are located were sourced from IFI.¹⁸ To account for emissions from upstream activities, Sustainalytics applies an additional, indirect emissions factor.¹⁹
- For zero-carbon technologies such as solar and wind, the emissions per unit of generation are assumed to be 0 gCO₂e/kWh.
- For the projects included in this report, energy generation (measured in MWh) data was provided by the issuer.

¹³ U.S. Department of Housing and Urban Development, FY 2023 Median Family Income Documentation System, at: https://www.huduser.gov/portal/datasets/il/il2023/select_Geography.odn?STATES=44.0&statelist=44.0&stname=Montana&wherefrom=mfi&atefp=30&year=&ne_flag=1&selection_type=&incpath=%24incpath%24&data=2023

¹⁴ U.S. Department of Housing and Urban Development, Home Rent Limits, at: <https://www.huduser.gov/portal/datasets/HOME-Rent-limits.html>

¹⁵ Statista.com, Distribution of occupied housing units in the United States in 2020, by number of bedrooms, at:

<https://www.statista.com/statistics/206393/distribution-of-housing-units-in-the-us-by-number-of-bedrooms/>

¹⁶ U.S. Department of Housing and Urban Development, FY 2023 Fair Market Rent Documentation System, at:

[https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2023_code/2023summary.odn?&year=2023&fmrtype=\\$fmrtype&cbsasub=METRO4522QM45220](https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2023_code/2023summary.odn?&year=2023&fmrtype=$fmrtype&cbsasub=METRO4522QM45220)

¹⁷ United States Census Bureau, Metropolitan and Micropolitan Statistical Areas Population Totals: 2020-2022, at:

<https://www.census.gov/data/datasets/time-series/demo/popest/2020s-total-metro-and-micro-statistical-areas.html>

¹⁸ UNFCCC, The IFI Dataset of Default Grid Factors, available at: <https://unfccc.int/climate-action/sectoral-engagement/ifi-harmonization-of-standards-for-ghg-accounting/ifi-twg-list-of-methodologies>

¹⁹ Calculated by Sustainalytics based on: UK Government, Department for Business, Energy & Industrial Strategy, "Government conversion factors for company reporting of greenhouse gas emissions", at: <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>, International Energy Agency, "IEA Country Profiles", at: <https://www.iea.org/countries> and UNFCCC, "Harmonized IFI Default Grid Factors", at: <https://unfccc.int/climate-action/sectoral-engagement/ifi-harmonization-of-standards-for-ghg-accounting/ifi-twg-list-of-methodologies>

- For zero-carbon technologies such as solar and wind, the emissions per unit of generation are assumed to be 0.

Appendix 1: Impacts of Affordable Housing Project by Area Median Income Affordability Targets

Area Median Income Affordability Target	Signed Amount	Allocated Amount	Financed Housing Units	Financed Number of Beneficiaries	Monthly Individual Beneficiary Savings	Monthly Beneficiary Savings	Financed Annual Total Beneficiary Savings	Financed Total Beneficiary Savings/Allocated Amount
% of the AMI	USD	USD	#	#	USD	%	USD	USD/USD
60%	718,445,158	230,079,716	3,733	11,610	1,261	46%	56,501,519	0.25
80%	160,400,000	104,236,973	1,705	5,304	556	20%	11,384,361	0.11

Appendix 2: Impacts of Renewable Energy by Technology

Technology	Allocated Amount	Financed Generation	Financed Capacity	Financed Direct Emissions Avoided	Financed Indirect Emissions Avoided	Financed Emissions Avoided	Financed Emissions Avoided/M USD
	USD	MWh	MW	tCO2e/year	tCO2e/year	tCO2e/year	tCO2e/year/M USD
Wind Energy	15,552,716	31,313	11	11,037	2,549	13,587	874
Solar Photovoltaic	52,128,910	82,979	56	29,249	6,756	36,005	691
Mixed Renewables	98,001,685	317,870	298	112,044	25,881	137,925	1,407

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