

# Santander Holdings USA

**Type of Engagement:** Allocation Review

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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”). 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 (the “Use of Proceeds Principles”).<sup>1,2,3</sup>

In 2023, SHUSA engaged Sustainalytics to perform the following reviews with limited assurance:

- 1) Allocation Review with limited assurance
  - a. For both green and social earmarked assets, Sustainalytics reviewed the assets financed by the sustainability note and provided an assessment as to whether the assets met the use of proceeds criteria outlined in the Framework, such as category of Eligible Asset(s), location of Eligible Asset(s), and Outstanding drawn amount.
  - b. For both green and social earmarked assets, Sustainalytics reported on the key performance indicators (KPIs) as provided by SHUSA.
- 2) Santander Green Bond Calculation Methodology Review with limited assurance
  - a. For green earmarked assets, Sustainalytics reviewed the Santander internal green methodology for calculating GHG avoidance for the Renewable Energy projects financed, in comparison with Sustainalytics’ understanding of best practices for reporting GHG avoidance.

In 2023, SHUSA engaged Sustainalytics to perform the following Impact Report:

- 3) Impact Report
  - a. For social earmarked assets, Sustainalytics calculated the estimated impact achieved by the projects financed with the proceeds from the SHUSA offering in alignment with the Santander Group Green, Social & Sustainability Funding Global Framework.

This Allocation Review covers the eligibility of the green and social assets that were earmarked for the 2022 sustainability notes in the amount of USD 500 million.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the sustainability note based on whether the projects and programs met the use of proceeds and eligibility criteria of the Framework.

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

<sup>2</sup> 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>

<sup>3</sup> 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](https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market)

**Table 1: Use of Proceeds, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Small-scale photovoltaic (“PV”) is eligible</li> <li>• Large-scale PV and concentrated is eligible</li> <li>• Wind power is eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Annual GHG Emissions reduced/avoided</li> <li>• Annual renewable energy generation</li> <li>• Capacity of renewable energy</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Affordable housing and associated infrastructure that meets authorities’ socio-economic requirements is eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Number of people who benefit from affordable housing</li> </ul>

## Issuer’s Responsibility

SHUSA is responsible for providing accurate information and documentation relating to the projects funded, including a description of projects and amounts allocated.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings to investors, conducted the verification of the use of proceeds from the SHUSA sustainability note. The work undertaken as part of this engagement included the collection of documentation from SHUSA and the review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and facts presented by SHUSA with respect to the funded projects. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by SHUSA.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>4</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not meet the use of proceeds criteria outlined in the Framework. SHUSA has disclosed to Sustainalytics that the proceeds from the sustainability notes were fully allocated as of June 30, 2023.

<sup>4</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded with proceeds from the sustainability note issued in 2022 to determine if the projects meet the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainability note issued in 2022 to determine if the impact of projects was reported in line with the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendix

### Appendix 1: Allocation Reporting

Use of Proceeds Category	Technology	Net Sustainability Note Proceeds Allocation (USD)	KPIs
<b>Renewable Energy</b>	Solar Photovoltaic, Solar with battery storage, Onshore wind	278,727,987	<ul style="list-style-type: none"> <li>• Financed avoided GHG emissions (tCo<sub>2</sub>e): 254,244</li> <li>• Financed avoided GHG emissions (tCo<sub>2</sub>e/M USD): 912</li> <li>• Financed Renewable Energy generated (MWh): 691,255</li> <li>• Financed Installed capacity (MW): 258</li> </ul>
<b>Affordable Housing</b>		221,272,013	<ul style="list-style-type: none"> <li>• Number of housing units financed: 5,478</li> <li>• Number of individuals financed: 17,531</li> </ul>
<b>Allocated Net Proceeds</b>		500,000,000	

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