

# Impact Report for Bonds and Loans

## Santander Group Green, Social and Sustainability Funding Global Framework



a Morningstar company

# IMPACT REPORTING





## Impact Summary

**Evaluation Date** December 8, 2023

**Issuer Location** USA

Sustainalytics has calculated the estimated social impact achieved by the sustainability notes issued by Santander Holdings USA, Inc. ("SHUSA") in September 2022. Since issuance, USD 221 million have been allocated to earmarked projects in the category affordable housing. The projects are located within SHUSA's footprint, which includes cities in the Northeast and Florida, United States. Using the number of individual housing units financed and the number of individuals financed as of 30<sup>th</sup> of June 2023, Sustainalytics has calculated the beneficiary savings of USD 55 million over a 12-month period.

 **\$221M**  
Earmarked funds

 **\$55M**  
Beneficiary savings

 **29**  
Funds

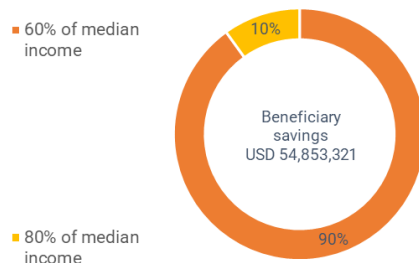
 **5K**  
Number of individual housing units financed

 **1**  
Country

 **18K**  
Number of individuals financed



## Total Beneficiary Savings by Fund Area Median Income Affordability Targets Category



29 Funds Total

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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 Impact Report covers the social assets that were earmarked for the 2022 sustainability notes in the amount of USD 221 million. Sustainalytics has estimated the beneficiary savings from SHUSA’s affordable housing projects. This report presents the details of our findings, including a description of the methodology used to calculate the impacts.

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<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/financiaci%C3%B3n-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)

## Scope of Work and Limitations

SHUSA has engaged Sustainalytics to calculate the estimated social impacts of the projects earmarked for the SHUSA sustainability notes in alignment with the Santander Group Green, Social & Sustainability Funding Global Framework. For this work, Sustainalytics relied on the data provided by SHUSA on the earmarked assets, allocated amount and the technical data on the projects financed.

Sustainalytics' impact reporting is aligned with the International Capital Market Association's June 2023 Harmonised Framework for Impact Reporting for Social Bonds.<sup>4</sup> The methodology and assumptions made for the impact calculation are outlined in the methodology chapter.

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

- (1) They understand it is the sole responsibility of 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.

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<sup>4</sup> ICMA, Handbook - Harmonised Framework for Impact Reporting for Social Bonds, at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf>

## Impact Findings

For reporting, Sustainalytics follows the ICMA Harmonised Framework for Impact Reporting for Social Bonds,<sup>4</sup> which synthesizes market expectations and outlines recommendations for impact reporting to create a standardized reporting structure and to enhance the understanding of the impact to all stakeholders including investors.

Table 1 below provides a summary of the impacts at the portfolio level, which Sustainalytics calculated from the earmarking of proceeds from SHUSA's sustainability notes. Appendix 1 provides project-level impact based on the share of project financing.

**Table 1: Summary of Impact – Affordable Housing**

Allocated amount	Bond tenor	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	Years			USD	%	USD	USD/USD
221,272,013	4	5,478	17,531	377	15	54,853,321	0.23

## Methodology

Sustainalytics developed a methodology for quantifying the beneficiary savings, or savings from affordable rent compared to market rent, specifically for rental affordable housing. The metric beneficiary savings is recommended for impact reporting in the Harmonized Framework for Impact Reporting for Social Bonds<sup>4</sup> and the Global Impact Investment Network's IRIS+ catalogue of metrics.<sup>5</sup>

### Affordable Housing

Affordable housing is offered to a target group at a significantly lower price than the 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 statistics<sup>6</sup> to estimate the maximum income a household can have and still be eligible for affordable housing. The maximum affordable rent criterion<sup>7</sup>, which was sourced from the US Department of Housing and Urban Development, was used together with statistics on the average household size<sup>8</sup> 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.<sup>9</sup> Based on this data, region- and state-wide values were estimated with population weights.<sup>10</sup> When exact location is unknown, the average of several cities in the wider geography is used.

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<sup>5</sup> IRIS+, available at: <https://iris.thegiin.org/>

<sup>6</sup> 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&stalist=44.0&stname=Montana&wherefrom=mfi&stafp=30&year=&ne\\_flag=1&selection\\_type=&incpath=%24incpath%24&data=2023](https://www.huduser.gov/portal/datasets/il/il2023/select_Geography.odn?STATES=44.0&stalist=44.0&stname=Montana&wherefrom=mfi&stafp=30&year=&ne_flag=1&selection_type=&incpath=%24incpath%24&data=2023)

<sup>7</sup> U.S. Department of Housing and Urban Development, Home Rent Limits, at: <https://www.huduser.gov/portal/datasets/HOME-Rent-limits.html>

<sup>8</sup> 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/>

<sup>9</sup> 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=METRO45220M45220](https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2023_code/2023summary.odn?&year=2023&fmrtype=$fmrtype&cbsasub=METRO45220M45220)

<sup>10</sup> 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>

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

Fund area income affordability targets	Signed amount	Allocated amount	Share of total project financing	Financed number of individual housing units <sup>11</sup>	Financed number of beneficiaries <sup>1</sup>	Average beneficiary savings, monthly	Average beneficiary savings	Annual total beneficiary savings	Financed annual total beneficiary savings	Financed annual total beneficiary savings / allocated amount
% of median income	USD	USD	%			USD	%	USD	USD	USD/USD
60	691,274,667	136,799,831	32	4,056	12,979	989	40	154,202,267	49,406,073	0.36
80	160,400,000	84,472,182	8	1,423	4,552	481	19	64,216,090	5,447,248	0.06

<sup>11</sup> Due to rounding, the project level avoidance might not sum up to the total number of units.

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