



SHUSA Sustainability Note Allocation and Impact Report 2023

Santander Holdings USA, Inc.



TABLE OF CONTENTS

1. DISCLAIMER 3

2. INTRODUCTION 4

3. OVERVIEW OF SANTANDER GROUP GREEN, SOCIAL & SUSTAINABILITY FUNDING GLOBAL FRAMEWORK 9

4. SHUSA SUSTAINABILITY NOTE KEY FIGURES 11

5. PROJECT SELECTION 12

6. CALCULATION METHODOLOGY 14

7. SHUSA SUSTAINABILITY NOTE ALLOCATION & IMPACT 17

8. APPENDIX 21

 SUSTAINALYTICS INDEPENDENT LIMITED ASSURANCE REPORT 1 21

 SUSTAINALYTICS INDEPENDENT LIMITED ASSURANCE REPORT 2 25

 SUSTAINALYTICS INDEPENDENT IMPACT REPORT 3 26

1. Disclaimer

IMPORTANT INFORMATION

The targets and objectives included in this Sustainability Note Allocation and Impact Report (the “Report”) are aspirational; as such, no guaranty or promise is made that they will be met or implemented successfully. The statistics, metrics and other data and information included in this Report are not audited and are not necessarily prepared in accordance with generally accepted accounting principles (“GAAP”). The information and any underlying assumptions contained in this Report are expected to evolve over time. This Report covers the consolidated business of Santander Holdings USA, Inc. (“SHUSA”), and its subsidiaries and does not address the performance or operations of SHUSA’s vendors, suppliers, customers or other third parties.

This Report is not comprehensive and should be read in conjunction with SHUSA’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. This Report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our corporate social responsibility and environmental, social, and governance targets, goals, objectives, commitments, programs and other business plans and initiatives. These statements are typically accompanied by words such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “goals,” “intends,” “plans,” “projects,” “may,” “will,” “should,” “would,” “could” and similar terms. Although SHUSA believes that the expectations reflected in these forward-looking statements are reasonable as of the date on which they are made, factors such as the risks and uncertainties described in SHUSA’s filings with the Securities and Exchange Commission from time to time may cause SHUSA’s performance to differ materially from that suggested by the forward-looking statements.

If one or more of the factors affecting SHUSA’s forward-looking statements renders them inaccurate, SHUSA’s actual results, performance or achievements could differ materially from those expressed in or implied by the forward-looking statements. Readers should not consider these factors to be a complete set of all potential risks or uncertainties as new factors emerge from time to time. This Report is for general informational purposes only and does not constitute legal, tax, accounting, financial or investment advice of any kind or an offer to invest, and in making this report available SHUSA gives no advice and makes no recommendation to buy, sell, or otherwise deal in shares or other securities of Banco Santander, S.A. (“BSSA”), SHUSA, Santander Bank, N.A. (“SBNA”), Santander Consumer USA Inc. (“SC”) or any other securities or investments. Prior to making any investment, a prospective investor should consult with its own investment, accounting, legal and financial advisors to independently evaluate the risks, consequences, and suitability of such an investment.

2. Introduction

SHUSA's issuance of its inaugural Sustainability Note in September 2022 is one step forward in exhibiting our commitment to our sustainable finance priorities, enabling us to support the sustainability strategy at SHUSA. SHUSA has fully allocated an equivalent amount of the Sustainability Note's proceeds to Eligible Assets within the first year outstanding of our 2022 Sustainability Note and will publish future reports if any material changes in the proceeds allocated occurs.

For this Sustainability Note Allocation and Impact Report and other sustainability-related commitments, SHUSA is committed to measuring and providing transparency on our progress.

EXTERNAL ASSURANCE

SHUSA engaged the Second Party Opinion provider of the Framework, Sustainalytics, to provide limited assurance on the allocation and methodology of the Sustainability Note. In addition, Sustainalytics performed an independent impact report.

The reports prepared by Sustainalytics are included within the Appendix section of this report and a summary is provided below:

Sustainalytics performed an allocation review with limited assurance as follows:

- 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.

Sustainalytics performed a methodology review with limited assurance:

- c. 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.

Sustainalytics performed an independent impact report utilizing their internal methodology related to social assets:

- d. 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.

2022 ESG Highlights¹

The ESG Strategy of SHUSA has three pillars, which support us in the goal of helping people and businesses prosper.



¹ From Santander US 2022 ESG Report, which represents the whole Santander US footprint and reflects 2022 results with the exception of the Community Plan, which is a set of targets and goals for 2023-2025

² Financially empowered people include those impacted through financial education training and grants; recipients of specialized lending products; and people who gained housing through investments in affordable housing projects.

³ Carbon neutrality is achieved through continued reduction in operational emissions and the purchase of offsets. BSSA's neutrality covers Scopes 1 and 2 emissions as well as Scope 3 emissions related to business travel and commuting. It does not include Scope 3 financed emissions.

⁴ BSSA has set a global goal of reaching 100% renewable energy, including use of renewable energy credits, by 2025.

⁵ In 2021 Santander US stopped providing single-use plastics in facilities.

⁶ People helped include beneficiaries of grants provided for social purposes and people impacted by volunteer hours provided by Santander US.


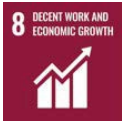





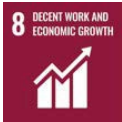





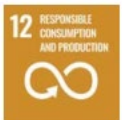

⁷ The equal pay gap gauges the difference in compensation for women and men in the same job at the same level. Our comparison does not consider certain factors, such as tenure, years of service, previous experience, and background.

ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

SHUSA's activity and investments contribute to several United Nations Sustainable Development Goals ("SDGs").



The SDGs are a universal framework for accomplishing 17 important global outcomes by 2030 and provide a guide for embedding sustainability within our business. SHUSA aligns to these goals and is focused on advancing those which are most relevant to our ESG pillars, including:

EMPOWER PEOPLE AND BUSINESSES	FOSTER INCLUSIVE COMMUNITIES	SUPPORT THE GREEN ECONOMY
  	       	   
2022 HIGHLIGHTS		
<ul style="list-style-type: none"> • More than \$100M multi-year investment to execute consumer banking digital transformation strategy • \$29M philanthropic donations • 23,949 counseled in financial education • 8.7 of 10 employee ranking for manager support and Diversity Equity & Inclusion • 426,576 hours spent on learning and development in 2022 • Cultivate Small Business expanded to 6 states 	<ul style="list-style-type: none"> • 119,809 financially empowered people • 400+ partner organizations supported • 39,003 volunteer hours • \$750,000 SC Foundation support for Equity, Social & Racial Justice • 0.3% equal pay gap 	<ul style="list-style-type: none"> • \$500M sustainable bond issuance • \$2B in renewable structured finance underwritten • \$888M in hybrid and electric vehicle ("EV") financing • Carbon neutral in own operations

PUBLIC COMMITMENTS AND OUR PROGRESS

In 2019, Banco Santander, S.A. (“BSSA”), announced 11 public commitments that reflect its commitment to responsible and sustainable banking goals. Each year the commitments are updated to reflect progress and capture new goals. These commitments support BSSA and SHUSA in embedding ESG criteria into the business operations and taking action on the commitment to the SDGs as well as the targets set in the Paris Agreement on climate change.

BSSA and SHUSA align efforts around the global public commitments and have developed a strategy that supports the shared efforts to meet these commitments while acknowledging the unique needs of the US footprint, clients, customers, and communities.

In 2022, BSSA achieved or exceeded all of the commitments for 2019-2022, while making progress on future targets. BSSA also added three new public commitments, which include initial decarbonization targets for 2030 for the energy, steel, and aviation sectors.

BSSA Future Public Commitments^{8,9}

	2022	H1 2023	Target	Period
1. Green Finance raised and facilitated (EUR) ¹⁰	94.5B	98.6B	120B 220B	by 2025 by 2030
2. Socially responsible investments (AuM, EUR)	53.2B	56.8B	100B	by 2025
3. Electricity from renewable resources ¹¹	88%		100%	by 2025
4. Thermal coal-related power and mining phase out (EUR)	5.9B		0	by 2030
5. Emissions intensity of power generation portfolio ^{12,13}			0.11	tCO ₂ e/MWh ¹⁶ in 2030
6. Absolute emissions of energy portfolio (new) ¹²			16.98	mtCO ₂ e ¹⁷ in 2030
7. Emissions intensity of aviation portfolio (new) ¹²			61.71	grCO ₂ e/RPK ¹⁸ in 2030
8. Emissions intensity of steel portfolio (new) ¹²			1.07	tCO ₂ e/tS ¹⁹ in 2030
9. Women in senior positions (%) ¹⁴	29%		30%	by 2025
10. Equal pay gap	1%		~0%	by 2025
11. People financially empowered (cumulative) ¹⁵	11.8M		10M	by 2025

Maintain commitments achieved

- ▶ Be carbon neutral in our operations²⁰.
- ▶ Not provide single-use plastic in our buildings and offices.

⁸ From Santander US 2022 ESG Report, which represents the whole Santander US footprint and reflects 2022 results with the exception of the Community Plan, which is a set of targets and goals for 2023-2025.

⁹ All BSSA commitments represented in Euro (€)

¹⁰ Includes Grupo Santander’s contribution to Green Finance: project finance; syndicated loans; green bonds; capital finance; export finance; advisory services; and structuring other products to help customers transition to low-carbon economy.

¹¹ In countries where we can verify electricity from renewable sources at BSSA properties.

¹² All figures are from the Santander US 2022 ESG Report published in June 2023.

¹³ In the 2021 Annual Report and Climate Finance Report, BSSA assessed the 2019 financed emissions of our power generation portfolio, including guarantees and other types of off-balance exposure to our customers that do not entail current funding. Because, according to the PCAF standard, such exposure should not be calculated if its attribution factor is “outstanding,” BSSA was over-attributed with our corporate customers’ emissions. Therefore, the 2019 baseline emissions intensity has been restated from 0.23 to 0.21. The target and climate ambition remains for this sector.

¹⁴ Senior positions make up 1% of the total workforce.

¹⁵ Unbanked, underbanked and financially vulnerable individuals who receive tailored finance solutions and become more aware and resilient through financial education.

¹⁶ Tons of carbon dioxide equivalent/Megawatt-hour.

¹⁷ Metric tons of carbon dioxide equivalent.

¹⁸ Grams of carbon dioxide/Revenue Passenger Kilometer. 12 Tons of carbon dioxide equivalent/tons of steel.

¹⁹ Tons of carbon dioxide equivalent/tons of steel.

²⁰ In our core markets (G10).

BSSA and SHUSA made many important strides to advance the ESG strategy in 2022. Areas of progress include:

Environmental

- ▶ Launched new mandatory training, Sustainability for All. Adopted the Sustainable Finance Classification System ("SFCs") to ensure consistent tracking and reporting of green, social and sustainable transactions.
- ▶ Set new Scope 3 global financed emissions interim targets for three sectors, including steel, aviation and oil/gas.
- ▶ Financed almost 17,000 hybrid and electric vehicles totaling \$888M.
- ▶ Santander Universities launched the Santander X Global Challenge | Countdown to Zero to help identify innovative and sustainable solutions to key challenges.
- ▶ Developed enhanced sustainable branch standards for new branch buildings and renovations.
- ▶ Strengthened and expanded ESG Solutions team to provide advisory and support to institutional clients.
- ▶ Published our first environmental, social and governance report.
- ▶ Issued a \$500 million sustainability bond, the first within Santander Group under the Green, Social & Sustainable Funding Global Framework.

Social

- ▶ Launched new Community Plan, a \$13.6B three-year commitment to our communities.
- ▶ Registered the highest score in the finance industry and the second highest overall worldwide in the Bloomberg Gender Equality Index.
- ▶ Supported the humanitarian response to the war in Ukraine, as well as local disaster relief.
- ▶ Surpassed past volunteering levels with 39,003 hours through strengthened volunteer and service activities.
- ▶ Expanded programming in key initiatives, including Cultivate Small Business, Digital Equity and Ignite Financial Success.
- ▶ Launched new global learning platform.
- ▶ Expanded leadership development programming.

Governance

- ▶ Introduced our revised corporate behaviors (TEAMS), which guide our interactions with customers and each other to help deliver on our global purpose of helping people and businesses prosper.
- ▶ Enhanced due diligence with revised socio-environmental surveys for customer-facing operations and vendors.
- ▶ Continued to enhance ESG data collection and governance to support local and European regulatory reporting.
- ▶ Expanded sustainability educational opportunities, including a US-wide training and various specialized trainings.
- ▶ Participated in numerous industry working groups to advance ESG methodologies and approaches to climate risk management and reporting.
- ▶ Strengthened ESG impact reporting for Banco Santander International investment portfolios.

3. Overview of Santander Group Green, Social & Sustainability Funding Global Framework

In 2023, BSSA updated the Framework²¹, which supersedes the original version created in 2022²². The Framework is the reference for all green, social and sustainability labeled funding instruments offered by BSSA and/or any of its consolidated subsidiaries across BSSA, such as SHUSA.

Consistent with best market practices and evolving investor expectations, the Framework covers eligibility criteria, process for project evaluation and selection, use of proceeds, management of proceeds and reporting, in line with the International Capital Market Association's ("ICMA") and Loan Market Association's ("LMA"), and/or any other specific applicable regulation, principles or guidelines.

The Framework builds on the criteria described in the SFCS²³, created in 2022 and updated in February 2023. It outlines Santander's classification rationale, eligibility parameters for green and social activities, the applicable environmental and social due diligence requirements, and verification methodology for sustainable finance transaction data.



²¹ Source: Santander Group Green, Social & Sustainability Funding Global Framework (2023). <https://www.santander.com/en/our-approach/inclusive-and-sustainable-growth/supporting-the-green-transition>














²² Source: Santander Group Green, Social & Sustainability Funding Global Framework (2022). <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>

²³ Source: BSSA's Sustainable Finance Classification System (2022). <https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2021/ias-2021-sustainable-finance-classification-system-sfcs-en.pdf>

ELIGIBLE CATEGORIES FOR USE OF PROCEEDS

Eligible Assets may be projects (project financing) or any other type of lending to business activities whose financed assets are either: (i) identified as green, social or sustainable; or (ii) where specific lending is fully applied to green, social or sustainability uses that are in line with the eligible categories of this Framework.

The following table outlines economic activities that contribute to environmental and social sustainability and, therefore, are eligible as long as they meet the eligibility criteria detailed in the Framework.

	UN SDG Alignment	UN SDG Alignment
Green	Renewable energy 	Clean Transportation 
	Energy efficiency 	Sustainable water and wastewater management 
	Pollution prevention and control 	Climate Adaptation 
	Environmentally sustainable management of living natural resources and land use 	Eco-efficient Products and Technologies 
	Terrestrial and aquatic biodiversity 	Green Buildings 
	Affordable basic infrastructure 	Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance 
Social	Access to essential services	
	Affordable Housing 	

This Sustainability Report focuses on Renewable Energy and Affordable Housing.

REPORTING REQUIREMENTS PER THE FRAMEWORK

If any material changes in the proceeds allocated occurs, SHUSA will provide information on the allocation of the proceeds of the relevant portfolio and expected impact metrics on the proceeds of the outstanding note.

Allocation reporting includes aggregated information about the designated Eligible Assets: the category, location, outstanding drawn amount and, where practical and if relevant, operational status (under construction or in operation).

Impact reporting includes a qualitative description of the portfolio of Eligible Assets allocated to the notes, the impact pursued with the relevant portfolio of Eligible Assets and a description of the chosen key impact indicators ("KPIs"). Additionally, the report describes the methodology and assumptions used to evaluate the portfolio of Eligible Assets' impacts.

4. SHUSA Sustainability Note Key Figures

SHUSA announced its inaugural Sustainability Note offering on September 6, 2022. The Company raised \$500M to be earmarked for Eligible Assets that meet the Eligibility Criteria in the Framework.

Issuer (Ticker)	Santander Holdings USA, Inc. ("SANUSA")
Ratings (M/S/F)	Baa3 / BBB+ / BBB+ (S/S/S)
Issue Amount	\$500,000,000
Pricing Date	September 6, 2022
Call Date	September 9, 2025
Maturity	September 9, 2026
Rank	Senior Unsecured
Coupon	5.807%
Use of Proceeds	The Issuer intends the net proceeds from the sale of the notes to be credited to the Issuer's treasury account and incorporated into its general liquidity pool. The Issuer intends to earmark an amount equal to the net proceeds from this offering for assets that meet certain eligibility criteria as described in the Santander Group Green, Social & Sustainability Funding Global Framework upon issuance of the notes
Second Party Opinion	Sustainalytics provided a second party opinion ("SPO") for this Framework and its alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021
CUSIP / ISIN	80282KBE5 / US80282KBE55

5. Project Selection

The net proceeds from the sale of the notes were credited to the Company's treasury account and incorporated into its general liquidity pool; no specific accounts were created. SHUSA has earmarked, or allocated for use, an amount equal to the net proceeds from the offering for green eligible assets within the renewable energy category (solar and wind) and social eligible assets within the affordable housing category.

SHUSA is a leading institution in the US renewable energy space. In an effort to support its green transition strategy, SHUSA has financed a multitude of renewable energy projects since 2008. For the green portion of the Sustainability Note, SHUSA identified transactions within its wind and solar portfolio to allocate proceeds. Wind energy is a form of renewable energy typically powered by the movement of wind across wind turbines thereby capturing the wind's power and converting it to electricity. Solar photovoltaic ("PV") uses electronic devices, also called solar cells, to convert sunlight directly into electricity. The earmarked assets are aligned with the Framework and SHUSA's internal governance and compliance around green asset designation.

For the social allocation, SHUSA focused on transactions whose use of proceeds are related to affordable housing and that qualify under and meet U.S. Community Reinvestment Act ("CRA"²⁴) criteria, including investments whose primary purpose is affordable housing for low- to moderate-income ("LMI") individuals. The earmarked transactions also meet the criteria defined in the SFCS and are in alignment with the Framework, as well as the ICMA's²⁵ principles.



²⁴ The CRA states that an entire loan qualifies for CRA credit if at least 51% of units serve LMI individuals and families. This CRA methodology is used to report total financially empowered people within this report and at a global level.

²⁵ Source: International Capital Market Association Social Bond Principles (2023). <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

PROJECT SPOTLIGHTS

» Renewable Energy Spotlight — IP Oberon II Project, a Solar Facility with BESS (Riverside County, CA)

“SHUSA was the Coordinating Lead Arranger in the \$477 million financing of the construction of the 250MW of solar and 500 MW of battery storage project in Riverside County in California. It has been developed by Intersect Power, a sponsor with the mission of decarbonizing the planet through renewable energies that is bringing innovative and scalable low-carbon solutions to its global customers.”



» CDF Spotlight — 250 Centre Street, Jackson Square Station (Boston, MA)

“250 Centre Street has been a community-driven effort focused on restoring the historical Jackson Square community. Our strong partnerships, including with Santander, have helped us strengthen this community by creating jobs, aiding local businesses, and building more affordable housing.”

-Bart Mitchell, President and CEO, The Community Builders

6. Calculation Methodology

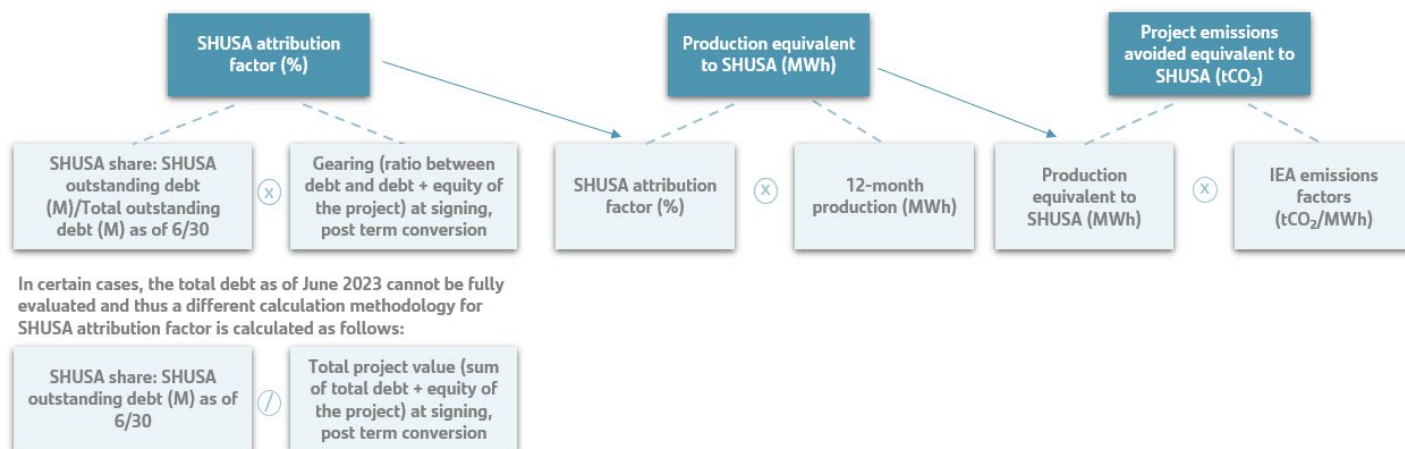
SHUSA KEY IMPACT INDICATORS FOR RENEWABLE ENERGY: Installed Capacity, Energy Production and Avoided CO₂ Emissions

SHUSA has leveraged the calculation methodology created and used by BSSA specifically as it relates to the renewable energy portion of the Sustainability Note.

SHUSA has prepared estimates for the CO₂ emissions avoided consistent with BSSA’s methodology for the Eligible Assets earmarked within its renewable energy portfolio. The emissions calculations are based on the power generation resulting from the technology mix within the renewable energy portfolio. SHUSA used the latest available data from the International Energy Agency (“IEA”) emission factors (tCO₂/MWh)²⁶. Additionally, installed capacity is derived from the nameplate capacity established for each selected renewable energy project.

Under this methodology, electricity generation (MWh) is based on 12 months (July 1, 2022, through June 30, 2023) of production reported by either the project developers or reported under Form EIA 923 at the EIA.gov website²⁷.

STEPS TO CALCULATE AVOIDED EMISSIONS:



The impact measurement methodology used is based on an internal estimate calculation according to the GHG Protocol and the Partnership for Carbon Accounting Financials (“PCAF”) standard for financed emissions²⁸. It takes into account SHUSA’s attribution factor in the overall financing of each project, which includes both debt and equity (gearing) which will be reflected at signing, post term conversion, if available, or SHUSA outstanding debt amount over the total initial project value at signing, post term conversion.

²⁶ International Energy Agency (IEA) [2022] edition of the emission factors data package; CO₂ emission factors for [2021] for electricity only generation (CHP electricity included) for world countries (in CO₂ per kWh).
²⁷ EIA U.S. Energy Information Administration. <https://www.eia.gov/electricity/data/eia923/>
²⁸ PCAF developed the banking industry’s main standard to assess financed emissions. According to the PCAF methodology, the denominator should include the total capital needed to finance the project. As per the standard used to assess financed emissions, the denominator to assess avoided emissions should include the total amount of debt and equity already disbursed.

SHUSA KEY IMPACT INDICATORS FOR AFFORDABLE HOUSING: Number of Individual Housing Units Financed, Number of Individuals Financed

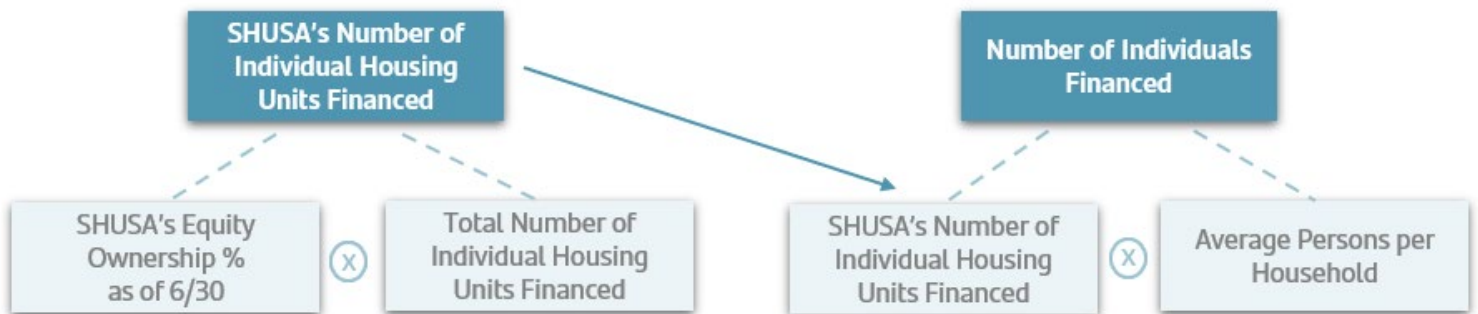
Every year, BSSA calculates the amount of people helped through financial empowerment. The results are reported globally within the [Santander Annual Report](#)²⁹ and locally within the [Santander US ESG Report](#)³⁰.

SHUSA has leveraged the calculation methodology created and used by the BSSA specifically as it relates to the affordable housing allocation of the Sustainability Note.

The calculations of the SHUSA key impact indicators for affordable housing are as follows:

- SHUSA's outstanding equity is the outstanding amount of equity already disbursed by SHUSA as of June 30, 2023³¹.
- The number of individual housing units financed is calculated based on Eligible Assets earmarked located within SBNA's footprint, including cities in the Northeast and Florida, and account for SHUSA's ownership percentage in the overall equity financing of each project.
- The number of individuals financed is calculated based on the latest average persons per household figure provided by [US Department of Housing and Urban Development \("HUD"\)](#)³² multiplied by SHUSA's number of individual housing units financed.

STEPS TO CALCULATE SHUSA NUMBER OF INDIVIDUAL HOUSING UNITS FINANCED AND NUMBER OF INDIVIDUALS FINANCED:



²⁹ Source: Santander Annual Report (2022). <https://www.santander.com/content/dam/santander-com/en/documentos/informe-financiero-anual/2022/ifa-2022-consolidated-annual-financial-report-en.pdf#page=17>

³⁰ Santander US ESG Report (2022). <https://www.santanderbank.com/documents/330001/11612900/SantanderUSESGReport.pdf/024f3d7a-1cba-5b50-0619-48a9cc23655f>

³¹ The population includes equity portions only; the calculation does not include any other type of financing. For Investment Funds with 80% AMI Affordability Targets, outstanding balance is net of capital allocation.

³² Source: United States Census Bureau. (2023). Households and Families. U.S. Department of Housing and Urban Development. <https://data.census.gov/table/ACSST5Y2020.S1101?q=AMERICAN+COMMUNITY+SURVEY+S1101>

SUSTAINALYTICS KEY IMPACT INDICATOR FOR AFFORDABLE HOUSING: Beneficiary Savings

SHUSA is reporting an additional key impact indicator for affordable housing, called “Beneficiary Savings,” developed by Sustainalytics. This methodology quantifies the savings from affordable rent compared to market rent (specifically for rental affordable housing). The difference between the two is the Beneficiary Savings. The affordable rent of the projects is built on location data provided by SHUSA, while the market rent is sourced from credible regional statistics by Sustainalytics.



For estimating the affordable rent, the beneficiary's income criteria was used, together with median household income statistics to estimate the maximum income a household can have and still be eligible for affordable housing.

For estimating the market rent, city-level data was sourced from US government sources. Based on the data, region- and state-wide values were estimated with population weights.



7. SHUSA Sustainability Note Allocation & Impact

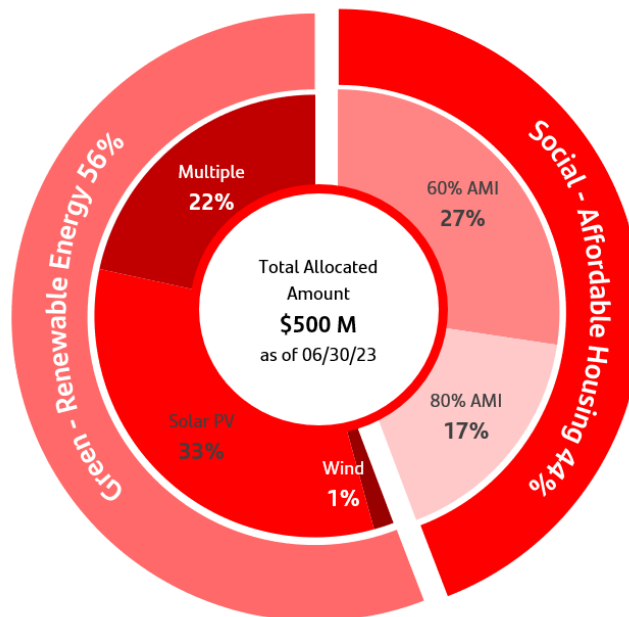
USE OF PROCEEDS

SHUSA earmarked projects for an amount equivalent to the net proceeds from the issuance of our Sustainability Note for the new financing or renewal of Eligible Assets related to green and social portfolios within the US. Specifically, this Report reflects Eligible Assets within the renewable energy categories for wind and solar and the affordable housing category. An equal amount to net proceeds from the sale of the \$500M Sustainability Note issued in September 2022 has been earmarked, by which we mean allocated for use within the below assets that meet the eligibility criteria.

The Community Development Finance affordable housing portfolio provides construction, maintenance, and rehabilitation of multifamily housing properties for low- and moderate-income populations that specifically qualify for the Low-Income Housing Tax Credit and meet CRA criteria. Financing may be provided in the form of equity of investments in partnerships with regional and national mission-oriented investment funds whereby the Bank provides capital into a structured fund managed by a private equity firm exclusively on behalf of the Bank or a group of investors, which in turn invests in projects for the construction and/or preservation of affordable housing.

Allocated Assets by Distribution for Renewable Energy and Affordable Housing

Composition of Total Allocated Funds



Note: There is no remaining balance of unallocated proceeds of the total Sustainability Note.

SHUSA Use of Proceeds for Renewable Energy:

As of June 30, 2023, 56% of the proceeds from the 2022 Sustainability Note have been allocated to renewable energy (wind and solar) transactions. There are 3 greenfield³³ and 6 brownfield³⁴ projects originated or renewed between 2019 and 2022, all prior to the Sustainability Note issuance, and all located within the US. The renewable energy portfolio represents a total drawn outstanding of approximately \$279M. The transactions include: approximately \$7M on-shore wind, \$163M solar photovoltaic and battery energy storage system (“BESS”), and \$108M mixed technology³⁵.

Sustainability Note Asset Allocation for Renewable Energy

	Number of loans	Allocated Loan Amount	Allocated Loan Amount for renewable energy %	Portion of Sustainability Note
Onshore Wind	2	\$7,336,580	3%	1%
Solar	6	\$163,404,990	59%	33%
Photovoltaic	5	\$123,234,189	44%	25%
BESS	1	\$40,170,801	14%	8%
Mixed Technology ³⁵	1	\$107,986,417	38%	22%
Total Renewable Energy	9	\$278,727,987	100%	56%

SHUSA Use of Proceeds for Affordable Housing:

As of June 30, 2023, 44% of the proceeds from the 2022 Sustainability Note have been allocated to affordable housing transactions. The transactions consist of 29 individual affordable housing investment funds created or renewed between 2019 and 2023. Of the 29 funds, 22 were committed to or funded prior to the Sustainability Note issuance and 7 funds committed to or funded after the issuance. Of the 29 funds, 27% of the total allocated amount meet the 60% Area Median Income (“AMI”) affordability targets and 17% of the total allocated amount meet the 80% AMI affordability targets all within the US. The affordable housing projects represent a drawn outstanding amount of approximately \$221M.

Sustainability Note Asset Allocation for Affordable Housing

	Number of loans	Allocated Loan Amount	Allocated Loan Amount for affordable housing %	Portion of Sustainability Note
60% AMI Affordability Targets	23	\$136,799,831	62%	27%
80% AMI Affordability Targets	6	\$84,472,182	38%	17%
Total Affordable Housing	29	\$221,272,013	100%	44%

³³ Greenfield: New construction projects whether completed or not.

³⁴ Brownfield: Extension, modification, refinancing of an existing project.

³⁵ Mixed Technology includes projects which include both Wind and Solar.

SHUSA Impact Report for Renewable Energy: Installed Capacity, Energy Production, and Avoided CO₂ Emissions

The impact assessed for the green portion of the Sustainability Note issued is measured using renewable energy capacity (MW), production (MWh), and corresponding avoided CO₂ emissions (tCO₂).

Installed Capacity and Energy Production Impacts				
	Total installed capacity (MW)	SHUSA Total installed capacity impact (MW)	Total production (MWh)	SHUSA Total production impact (MWh)
Renewable Energy	3,736	258	10,580,723	691,255

Avoided emissions have been calculated using actual production for the period July 1, 2022, to June 30, 2023, utilizing projects that began or were renewed between 2019 and 2022. In the case of projects that have not reached their Commercial Operation Date, an estimate is taken from the projects estimated production model which is sourced from independent engineers reports and is based on the first full year of expected production. The attribution factor was calculated for SHUSA's contribution to each project and applied to the calculation accordingly.

Avoided CO ₂ Emissions Impacts				
Technology	Overall avoided CO ₂ emissions (tCO ₂)	%	SHUSA avoided CO ₂ emissions impact (tCO ₂)	%
Wind	775,834	20%	7,068	3%
Solar	1,082,198	28%	123,261	48%
Projects with actual production	153,305	4%	23,476	9%
Projects with estimated annual production	928,893	24%	99,785	39%
Mixed Technology	2,033,558	52%	123,914	49%
Total General	3,891,589	100%	254,243	100%

The avoided emissions were calculated to be 254,243 tons of CO₂ for the portion of the contributions attributed to SHUSA. The financed avoided emissions (tCO₂e/M USD) is 912. This is based on the period evaluated for July 1, 2022, to June 30, 2023.

SHUSA Impact Report for Affordable Housing: Number of Individual Housing Units Financed³⁶, Number of Individuals Financed

The impact assessed for the social portion of the Sustainability Note issued is measured using the number of individual housing units financed, and the number of individuals financed.

Individual Housing Units, Individuals Financed Impacts					
Area income affordability targets	SHUSA signed amount	SHUSA allocated amount as of 6/30	SHUSA number of individual housing units financed impact ³⁶	SHUSA number of individuals financed impact	
60% AMI	\$691,274,667	\$136,799,831	4,056	12,979	
80% AMI	\$160,400,000	\$84,472,182	1,423	4,552	

The CRA criteria states that an investment qualifies for CRA credit if the investment benefits the majority of low- to moderate-income households, i.e., 51% of units serve low- to moderate-income households.

Low- to moderate-income households are categorized by Area Median Income Affordability Targets.

SHUSA selected two types of affordable housing investment funds that are designed to meet the affordability target set by the Area Median Income, ensuring accessible and equitable living opportunities for the community. These Area Median Income Affordability Target Funds finance the equity portion of each housing project.

- Fund type 1: A household income must be at or below 60% AMI. SHUSA allocated \$136M to 60% AMI.
- Fund type 2: A household income must be at or below 80% AMI. SHUSA allocated \$84M to 80% AMI.

SHUSA's Signed Commitment: The total legally bound amount SHUSA has committed to funding into an equity investment.

SHUSA's Allocated Commitment: The amount of capital as of June 30, 2023, that has been funded to an investment from the committed amount.

Sustainalytics Independent Impact Report for Affordable Housing: Beneficiary Savings

Beneficiary Savings Impacts							
Area income affordability targets	SHUSA allocated amount as of 6/30	Total Project Financing	SHUSA Share of Total Project Financing	Average beneficiary savings, monthly impact	Annual total beneficiary savings impact ³⁷	Financed annual total beneficiary savings impact ³⁸	Financed annual total beneficiary savings/ SHUSA's allocated impact
60% AMI	\$136,799,831	\$422,032,175	32%	\$989	\$154,202,267	\$49,406,073	0.36
80% AMI	\$84,472,182	\$1,015,983,381	8%	\$481	\$64,216,090	\$5,447,248	0.06

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. The difference between the market rent and affordable rent results in the beneficiary savings.

³⁶ Due to rounding, the summation of these numbers will differ from the individual housing units financed impact total in the appendix.

³⁷ This takes into account total units in the building (60% AMI = 12,992 and 80% AMI = 11,129) and the monthly savings annualized with rounding.

³⁸ This takes into account SHUSA's Share of Total Project Financing (derived from Total Project Financing and SHUSA Allocated Amount) and the Annual total beneficiary savings impact) with rounding.

8. Appendix

SUSTAINALYTICS INDEPENDENT LIMITED ASSURANCE REPORT 1

Santander Holdings USA

Type of Engagement: Allocation Review

Date: 8 December 2023

Engagement Team:

Simon Vacklen, Simon.Vacklen@morningstar.com, (+44) 20 3970 1234

Louisa Mandt, Louisa.Mandt@morningstar.com

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").^{1,2,3}

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.

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/financi%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

Table I: Use of Proceeds, Eligibility Criteria and Associated KPIs

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

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,⁴ 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.

⁴ 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

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	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
Reporting Criteria	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 I: Allocation Reporting

Use of Proceeds Category	Technology	Net Sustainability Note Proceeds Allocation (USD)	KPIs
Renewable Energy	Solar Photovoltaic, Solar with battery storage, Onshore wind	278,727,987	<ul style="list-style-type: none"> Financed avoided GHG emissions (tCO₂e): 254,244 Financed avoided GHG emissions (tCO₂e/M USD): 912 Financed Renewable Energy generated (MWh): 691,255 Financed Installed capacity (MW): 258
Affordable Housing		221,272,013	<ul style="list-style-type: none"> Number of housing units financed: 5,478 Number of individuals financed: 17,531
Allocated Net Proceeds		500,000,000	

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com



SUSTAINALYTICS INDEPENDENT LIMITED ASSURANCE REPORT 2

Santander Holdings USA

Type of Engagement: Methodology Review

Date: 8 December 2023

Engagement Team:

Simon Vacklen, Simon.Vacklen@morningstar.com, (+44) 20 3970 1234

Louisa Mandt, Louisa.Mandt@morningstar.com

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").^{1,2,3}

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 Methodology Review covers the green assets that were earmarked for the 2022 sustainability notes in the amount of USD 279 million. Sustainalytics has reviewed the methodology used to calculate the GHG avoidance.

Evaluation Criteria

Santander Group has developed a methodology to quantify the GHG emissions from its renewable energy investments. Santander Group uses the methodology it developed to estimate the comparative GHG avoided between its own renewable energy projects and the national grid. To review this methodology, Sustainalytics

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/financi%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

is leveraging the GHG Protocol for Project Accounting⁴, PCAF⁵ and Sustainalytics' understanding of best practice.

Client's Responsibility

SHUSA is responsible for providing accurate information and documentation relating to the methodology. This includes scope, definitions, geographic scope, assumptions and data sources provided in the documentation provided by SHUSA.⁶

Independence and Quality Control

Sustainalytics conducted the review of the methodology developed by Santander Group. The work undertaken as part of this engagement included reviewing the methodology's documentation. Sustainalytics reviewed Santander Group's methodology based on its own understanding of best practice for calculating the comparative GHG emission avoided between SHUSA's renewable energy generation and the national grid.

Sustainalytics relied on the information and the data prepared by SHUSA. 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.

Conclusion

Based on the limited assurance procedures conducted,⁷ it is Sustainalytics' opinion that the reviewed methodology conforms with Sustainalytics' understanding of good practice for impact reporting.

Appendix I: Detailed Review of GHG Avoidance by Renewable Energy

Evaluation Category	Comment
Scope	<ul style="list-style-type: none"> ✓ All emissions are measured in CO₂. Sustainalytics considers this good practice as it captures most of the relevant GHG emissions; however, Sustainalytics considers best practice to include all relevant GHG emissions expressed in CO₂e, which includes methane and nitrous oxide. ✓ Baseline emissions are based on the national grid average for the USA, which is in line with good practice; however, in the case of the USA, which has a fragmented grid, a local emission factor would be considered best practice. ✓ Emissions are estimated for direct generation emissions only, or scope 1, which is in line with good practice but could be improved by including indirect, or scope 3 emissions.
Units	<ul style="list-style-type: none"> ✓ SHUSA consistently uses International System of Units (SI units) throughout its calculations and reporting, which Sustainalytics considers best practice.
Data Quality	<ul style="list-style-type: none"> ✓ An emission factor from the IEA (International Energy Agency) is used, which is considered a credible source.
Assumptions	<ul style="list-style-type: none"> ✓ It is assumed that renewable energy replaces energy from the grid for the current calendar year, meaning avoidance is estimated per current calendar year. ICMA recommends estimating avoidance for a representative year in the lifetime of the bond, which would include a projection of grid energy emissions into the future and would be considered best practice. Since the bond in this case has a tenor of only 4 years where significant changes are not anticipated, Sustainalytics considers this good practice.

⁴ "Protocol for Project Accounting", The Greenhouse Gas Protocol, at: https://ghgprotocol.org/sites/default/files/standards/ghg_project_accounting.pdf

⁵ Financed Emissions, the global GHG Accounting & Reporting standard, PCAF, at: <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>

⁶ The methodology reviewed was described in the following documents: SHUSA Renewable Energy Calculation Template as of 06.30.2023_Sustainalytics Review 8.17.2023

⁷ Sustainalytics' limited assurance process includes reviewing the documentation relating to the details of the methodology, including description of the methodology, data and data sources as provided by SHUSA, which is responsible for providing accurate information.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com
 Or contact us contact@sustainalytics.com



SUSTAINALYTICS INDEPENDENT IMPACT REPORT 3




Impact Summary

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 22.1 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 30th of June 2023, Sustainalytics has calculated the beneficiary savings of USD 55 million over a 12-month period.

Evaluation Date December 8, 2023

Issuer Location USA

 **\$22.1M**
Earmarked funds

 **\$55M**
Beneficiary savings

 **29**
Funds

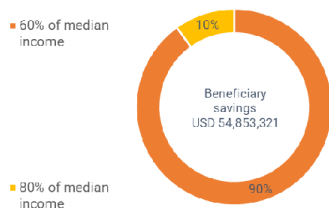
 **5K**
Number of individual housing units financed

 **1**
Country

 **18K**
Number of individuals financed



Total Beneficiary Savings by Fund Area Median Income Affordability Targets Category



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Impact Report for Bonds and Loans: **Santander Group Green, Social and Sustainability Funding Global Framework**

2

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”).^{1,2,3}

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.
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- 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.

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.⁴ The methodology and assumptions made for the impact calculation are outlined in the methodology chapter.

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/financiacion/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 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>

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Impact Report for Bonds and Loans: **Santander Group Green, Social and Sustainability Funding Global Framework**

3

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.

Impact Findings

For reporting, Sustainalytics follows the ICMA Harmonised Framework for Impact Reporting for Social Bonds,¹ 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 I 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 I provides project-level impact based on the share of project financing.

Table I: 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 Bonds⁴ and the Global Impact Investment Network’s IRIS+ catalogue of metrics.⁵

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

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

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Impact Report for Bonds and Loans: **Santander Group Green, Social and Sustainability Funding Global Framework** | 4

Data Sources and Assumptions

- For estimating the affordable rent, the beneficiary’s income criteria were used together with median household income statistics⁶ to estimate the maximum income a household can have and still be eligible for affordable housing. The maximum affordable rent criterion⁷, which was sourced from the US Department of Housing and Urban Development, was used together with statistics on the average household size⁸ 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.⁹ Based on this data, region- and state-wide values were estimated with population weights.¹⁰ When exact location is unknown, the average of several cities in the wider geography is used.

Appendix I: 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 ¹¹	Financed number of beneficiaries ¹	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

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⁶ 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&statefp=30&year=8ne_flag=1&selection_type=&incpath=%24incpath%24&data=2023

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

⁸ 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/>

⁹ 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=METRO45220QM45220](https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2023_code/2023summary.odn?year=2023&fmrtype=$fmrtype&cbsasub=METRO45220QM45220)

¹⁰ 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>

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

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Impact Report for Bonds and Loans: **Santander Group Green, Social and Sustainability Funding Global Framework**

5

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