

Santander Consumer Bank AS Green Bond Framework

December 2019



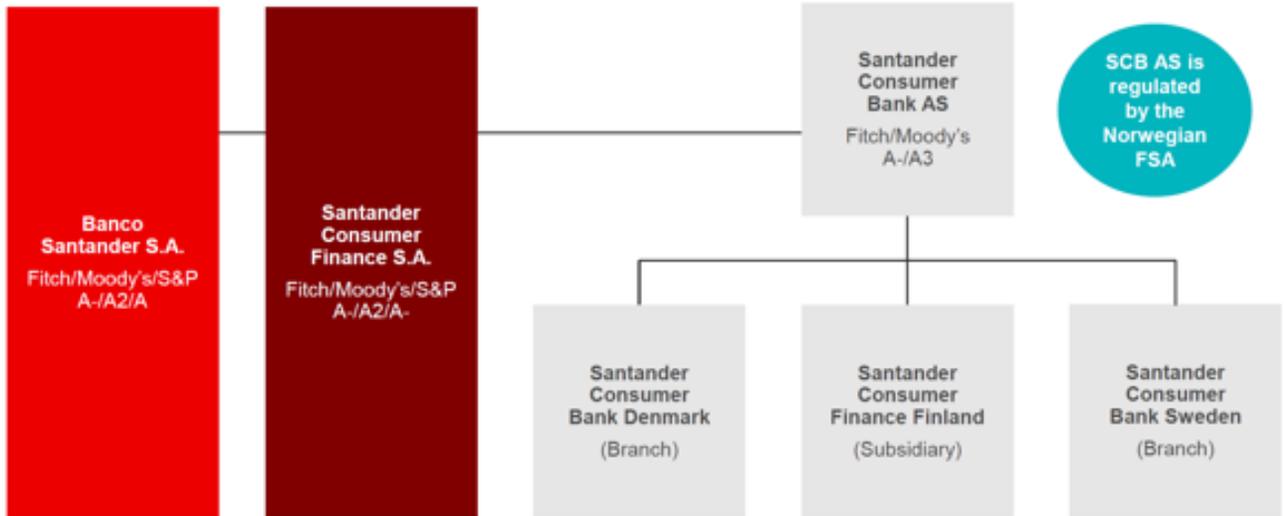
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1. Rationale

1.1 Santander Consumer Bank AS

Santander Consumer Bank AS (SCB) is a Nordic bank with more than 1,500 colleagues in Sweden, Norway, Denmark and Finland, with a long history in the Nordics, and with global strength by being a part of Santander Consumer Finance SA, the consumer arm of Banco Santander, one of the largest financial groups in the world.



SCB is a leader in car and leisure finance; also offers credit cards, consumer loans and savings products. SCB retains a no. 1 position in the Norwegian, Danish and Finnish auto markets with a market share of approx. 23%, 21% and 34% and no. 4 position in Swedish auto market, with a market share of 9% respectively in Q3 2019. The figure below shows the portfolio and results by region¹ as of Q3 2019.



¹ Figures in NOK

1.2 Banco Santander and Santander Consumer Bank AS Corporate Responsibility

For Banco Santander, being sustainable implies doing business and, at the same time, contributing to the economic and social progress of the communities where it is present, taking into account its environmental impact while fostering stable relationships with its main stakeholders.

Banco Santander promotes access to banking along with social and financial inclusion, while contributing to the development of the communities where it operates and preserving the environment. The Group is firmly committed to the environment and the fight against climate change. This is reflected in various lines of action, such as the analysis of social and environmental risks in funding transactions and the development of products and services with a positive environmental impact. The bank also measures its internal environmental footprint.

Globally, Banco Santander's efforts towards responsible banking have been recognized by the 2019 Dow Jones Sustainability Index (DJSI), which has nominated Santander the most sustainable bank in the world.



SCB aims to act in a manner that is in line with the values of Banco Santander: *Simple, Personal* and *Fair*. The bank ensures the integration of ethical, social and environmental criteria in the development of its business, contributing to the economic and social prosperity of people and businesses in a responsible and sustainable way.

Next to embracing Banco Santander' Sustainability strategy and objectives, SCB is committed to sustainability imperatives strictly related to its lending activity. In fact, SCB is a leader in the financing of passenger vehicles in the Nordics and therefore assumes a relevant role in shaping the future of sustainable mobility at country level.

Transportation is one of the greatest environmental challenges we face, given that around a quarter of the global greenhouse gas emissions is due to the mobility of people and goods and that these emissions are projected to grow substantially in the future. Therefore, achieving low carbon transportation is central to sustainable development. In the 2030 Agenda for Sustainable Development, sustainable transport is mainstreamed across several SDGs and targets, especially those related to health, energy, economic growth, infrastructure, cities and human settlements. The importance of transport for climate action is further recognized under the UNFCCC and the transport sector will be playing a particularly important role in the achievement of the Paris Agreement, since close to a quarter of energy-related GHG emissions are due to transport and such emissions are projected to grow in the future.

As a responsible financial player, SCB intends to contribute to the economic, social and environmental progress of the communities in which it operates by supporting the transition towards zero carbon emission powertrains.

1.3 Contribution to the United Nations Sustainable Development Goals (UN SDGs)

Through its business activity and community investment programs, Banco Santander contributes directly to the achievement of the United Nations Sustainable Development Goals ('SDGs'). To do so, Banco Santander maintains strategic alliances with numerous organizations and institutions and participates in multiple national and international initiatives. SCB contributes the most to the SDGs n. 3, 4, 7 and 13:



Overview of highly relevant SDGs for SCB

GOAL 3: Ensure healthy lives and promote well-being for all

Across the Nordics SCB supports people, events and organizations that encourages, inspires and invites a broad base of people to physical activity and camaraderie.



- In the Nordics, we partner the “**Team Rynkeby**”, an international charity cycling team that raises money for children with critical illnesses. Likewise, we work with “**KræftensBekæmpelse**”, the Danish Cancer Society. In addition to SCB being a major financial donor, our employees engage in a wide range of supporting activities.
- In Norway, we have partnered with the Football Association to engage kids from 6 to 10 in 3v3 soccer tournaments – an inclusive sports variety where every team member is part of the active play and everyone gets equal playing time.
- Internally the bank promotes and develops initiatives to support health and wellbeing for all employees, and supports a wide range of activities, health insurance and extended wellness grants. Some examples include free access to in-house training facilities, organized sports activities, health insurance and extended wellness grants.
- Also focusing on Sustainability in humans by addressing health and inclusion topics - increasingly important for society at large - with the health movement in Sweden “En Svensk Klassiker – #MinKlassiker”. The initiative aims to inspire and motivate people to a healthier lifestyle. Ordinary people with different obstacles and life situations are coached to make a change into a healthier and more active lifestyle.

GOAL 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



- SCB has for a long time been a Gold partner supporting **Right To Play**, an organization that protects, educates and empowers children to rise above adversity using the power of play. For us in Santander, accountability is incredibly important, thus we believe we must also take sustainable initiatives out of Norway.
- Right To Play plays for change in five key areas: quality education, gender equality, health & well-being, child protection and peaceful communities. It partners with Ministries of Education and local organizations to incorporate play-based learning into the education system, allowing more children to rise.
- The partnership with Right To Play for us means something more than contributing financially. We actively participate involving employees and partners contributing with certain initiatives such as: a running calendar where the starting fee of the races goes to this organization, a bike campaign in connection with “Tour des Fjords” and even a project which some employees attended in Ethiopia to participate in the local work.

Overview of highly relevant UN SDGs for SCB

GOAL 7: Ensure access to affordable, reliable, sustainable and modern energy



- We engage in collaborations to innovate new and more environmental friendly mobility solutions, and we add the commercial strength to bring them to the market. Through our core business we contribute to reduce greenhouse gas emissions from transport. Currently, 80% of SCB loans are auto related and we are the market leader in auto financing across the Nordics. We have a crucial role in renewing the car park, retiring old petroleum fueled cars and replacing them with newer cars with lower or no emissions by helping people and businesses finance new cars.
- In 2013 Santander pioneered the All-in-One product suite in Finland, speeding up renewal of one of the oldest car parks in Europe. This product was further developed in 2019 to allow customers for moderate cost to compensate for Co2 emissions as the first Green finance product in Finland.
- We developed the IT solution to enable online sales of the all-electric Nissan Leaf, helping it to be last year's single most sold car model in Norway.

GOAL 13: Take action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy



- Since 2018, SCB has partnered with CHOOOSE, a global leader in retiring carbon credits and a platform for climate action, battling the core problem of climate change: emissions from big polluters. "Offsetting" is the process by which an individual or organization compensates for their greenhouse gas emissions by buying climate credits. Once all of our emissions have been offset, we can say that we are climate neutral.
- With CHOOOSE we seek the status of climate positive, offsetting even more than our own emissions. The money spent on carbon credits goes directly to funding the best sustainable projects worldwide, primarily UN-regulated clean energy projects in developing countries such as solar power project in India.
- SCB has been certified as "Miljøfyrtårn" since 2009, meaning that we are compliant with all requirements regarding health, environment and safety, procurement, transportation, waste handling and energy consumption.
- Educating employees on sustainability through internal campaigns and seminars.

1.4 Basis of this Green Bond Framework

In line with SCB's sustainability objective of advancing low-carbon emission mobility, SCB has established this Green Bond Framework under which the Bank intends to issue Green Bonds to finance and / or refinance loans for low-carbon emission passenger vehicles.

By issuing Green Bonds, SCB intends to align its funding strategy with its sustainability strategy and objectives, by contributing to advancing the Clean Transportation ICMA Green Bond Principle. In addition, SCB aims to contribute to the development of the green bond market and to the growth of impact investing linked to the UN Sustainable Development Goals (UN SDGs), given that the Eligible Green Bond Categories under this Framework are aligned with specific UN SDGs. Lastly, Green Bonds will help to diversify SCB's investor base and broaden dialogue to existing investors.

² <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

The ICMA Green Bond Principles² are a set of voluntary guidelines that recommend transparency, disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. In alignment with the ICMA Green Bond Principles (GBP) 2018 edition, SCB's Green Bond Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

For each Green Bond issued, SCB asserts that it will adopt (i) Use of Proceeds; (ii) Project Evaluation and Selection; (iii) Management of Proceeds; and (iv) Reporting, as set out in this framework. The SCB Green Bond Framework follows the recommendations of the Green Bond Principles regarding External Review.

Future changes in the Green Bond Standards may be implemented in future versions of this Green Bond Framework. Any future updated version of this framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.

A dedicated internal green bond working group (the 'Green Bond Working Group') has been established to create this Green Bond Framework. The Green Bond Working group consists of members from a group of departments with relevant stakeholders in SCB's green bond(s), the Financial Management, Communication, Market Risk and Legal Departments.

The Green Bond Working Group is responsible to manage any future updates to the Framework, including expansion to the list of the Green Bond Eligible Categories and amendments to reflect the most recent market and regulatory developments (such as the introduction of the EU Green Bond Standards) on a best effort basis, and oversees its implementation.

2. Use of Proceeds

SCB intends to allocate the net proceeds of any bonds issued under this framework to a loan portfolio ('Eligible Loan Portfolio') of new and existing retail loan and lease contracts ('Eligible Green Loans') for low emission passenger vehicles. The Eligible Green Loans are to be funded in whole or in part by an allocation of the bond proceeds.

Eligibility Criteria: *"Eligible passenger vehicles" are defined as **electric power train vehicles**.*

Alignment with the EU Environmental Objectives: The Eligibility Criteria used to select Eligible Green Loans for SCB comply with the recommendations of the Technical Expert Group (TEG) on the EU Taxonomy published at the end of June 2019, which established a system to classify environmentally sustainable activities by setting out metrics and thresholds.

Any Eligible Category to be included in future versions of this Green Bond framework will follow the recommendation of the TEG report on the EU Taxonomy June 2019³ or any updated version, on a best effort basis.

Alignment with United Nations' Sustainable Development Goals (UN SDGs): The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Green bonds issued under this framework directly advance SDG 11 – Sustainable Cities and Communities and relative targets.

² <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

³ https://ec.europa.eu/info/publications_en

Use of Proceeds table

ICMA GBP category	Eligible Green Category Description	Eligibility to Green Bond	Contribution to UN SDGs ⁴	Alignment with EU Taxonomy Environmental Objectives ⁵
Clean Transportation	Loans for electric powertrain vehicles	100%	 <p>SDG 11: Sustainable Cities and Communities</p> <p>Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p>	<p>Environmental Objective (1): Climate Change Mitigation</p> <p>Substantial contribution to Climate Change mitigation (1.c): Increasing clean or climate-neutral mobility</p>

3. Process for Project Evaluation and Selection

3.1 Description of the Loan Evaluation and Selection process

SCB will be responsible for identification and record keeping of new and existing loans that meet the eligibility criteria. A green register of Eligible Green Loans will be kept by SCB and SCB will select from the register the Eligible Green Loans available for green bond funding.

The Green Bond Working Group will meet on a regular basis (at least annually) and will conduct an additional review on the selected loans to ensure ongoing compliance with the eligibility criteria.

SCB takes care that all selected Eligible Green Loans comply with official national standards and local laws and regulations on a best effort basis. It is part of the general transaction approval process within SCB to ensure that all activities comply with internal environmental and social standards. These minimum ESG requirements are continuously developed and renewed in SCB and in Santander Group internal policies, whose implementation helps to mitigate any environmental and social risks associated with the Eligible Green Loans.

Examples of relevant policies are the SCB Nordic Wholesale and Retail Credit Policies and the Santander Group's General Sustainability Policy, Climate Change and Environmental Management Policy.

Santander Group's environmental and social policies can be found on: https://www.santander.com/cs/cs/Satellite/CFWCSancomQP01/en_GB/Corporate/Sustainability/Santander-and-sustainability/Policies-.html.

Currently, SCB does not conduct any internal Do No Significant Harm (DNSH) assessment to eligible vehicles but assumes that car manufacturers, vehicles and components comply with local and EU regulation, directives and agreements, such as the Certificate of conformity (CoC) and Conformity of Production (CoP).

⁴ In alignment with ICMA "Green and Social Bonds: A high-level mapping to the Sustainable Development Goals" 2018

⁵ In alignment with the EU Taxonomy Environmental Objectives as defined in Article 5, amendment 41 and Article 6

3.2 Environmental Exclusions

Vehicles which do not meet the Eligibility Criteria will be automatically excluded from the Eligible Green Loan Portfolio. Therefore the following power-trains vehicles are excluded:

- Conventional Internal Combustion Engines (ICEs);
- Hybrid electric, including Plug-in Hybrid Electric Vehicles (PHEVs);
- Liquefied Petroleum Gas (LPGs);
- Compressed Natural Gas (CNG);
- Ethanol;
- Biofuels.

4. Management of Proceeds

The net proceeds of green bonds (the 'Green Bonds') issued under this framework will be managed by SCB in a portfolio approach.

SCB intends to allocate the proceeds from the Green Bonds to a portfolio of loans that meet the use of proceeds eligibility criteria and in accordance with the evaluation and selection process presented above, the Eligible Green Loan Portfolio.

SCB intends to designate sufficient Eligible Green Loans in the Eligible Green Loan Portfolio to ensure that the size of the Eligible Green Loan Portfolio always matches or exceeds the total balance of all outstanding Green Bonds. When necessary, additional Eligible Green Loans will be added to the Eligible Green Loan Portfolio to ensure the sufficient and timely allocation of the incremental net proceeds.

During the life of the Green Bonds, and upon becoming aware, if a loan ceases to fulfil the eligibility criteria, SCB will remove the loan from the Eligible Green Loan Portfolio and replace it, when necessary, as soon as reasonably practicable.

Pending the full allocation to the Eligible Green Loan Portfolio, SCB will hold and / or invest the balance of net proceeds not yet allocated, at its own discretion, in its treasury liquidity portfolio (in cash or cash equivalents, money market funds, etc.).

5. Reporting

The Green Bond Principles require green bond issuers to keep investors and other stakeholders updated on the allocation of proceeds. In addition to information related to the projects to which green bond proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

On a best effort basis, SCB will align the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (June, 2019)"⁶.

SCB intends to report to investors within one year from the date of a Green Bond transaction and annually thereafter, until the proceeds have been fully allocated.

Both the allocation report and the impact report will be made available on the SCB website at <https://www.santanderconsumer.no/om-oss/investor-relations/>.

⁶ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

5.1 Allocation Reporting

The allocation report will provide, on an aggregated basis, indicators such as:

- the size of the identified Eligible Green Loan Portfolio;
- the total amount of proceeds allocated to Eligible Green Loans;
- the balance (if any) of unallocated proceeds;
- the amount or the percentage of new financing and refinancing;
- the geographic allocation of the assets (at country level).

5.2 Impact Reporting

The impact report may provide:

- A description of the Eligible Green Projects;
- The breakdown of Eligible Green Projects by nature of what is being financed (financial assets);
- Metrics regarding projects' environmental impacts as described below:
 - Estimated ex-ante annual GHG emissions reduced / avoided in tons of CO₂ equivalent vs fuel-based powertrain vehicles;
 - Volume (in liters) of gasoline saved per year.

Environmental impact estimation

SCB has appointed the third-party specialized consultant Multiconsult to assess the impact of electric vehicles in Norway on climate gas emissions. The Bank's portfolio is assessed regarding direct emissions (Scope 1) and indirect emissions related to electric power production (Scope 2), categorization of the emissions is based on the CBI Guidelines. In future versions of the report, SCB might decide to include additional calculation on Scope 3 emissions. Multiconsult's report will be made available on the SCB website at <https://www.santanderconsumer.no/om-oss/investor-relations/>.

6. External Review

6.1 Pre-issuance verification

a) Second Party Opinion

Sustainalytics, a provider of environmental, social and governance (ESG) research and analysis, has evaluated SCB's Green Bond Framework and its alignment with relevant environmental standards and has provided views on the robustness and validity of the Green Bond Framework within the meaning of the Green Bond Principles ("GBP"), version 2018, in its Second Party Opinion. The Second Party Opinion, as well as the SCB's Green Bond Framework will be published on the SCB website at <https://www.santanderconsumer.no/om-oss/investor-relations/>.

b) Climate Bond Initiative (CBI) Certification

SCB intends to obtain accreditation of the CBI certificate for the inaugural Green Bond with the SCB's Green Bond Framework being aligned with the CBI Low Carbon Transport Standards. Sustainalytics, an approved third party verifier, has been appointed to confirm the Framework's conformance with the Low Carbon Transport of the Climate Bond Standards.

6.2 Post-issuance verification

SCB may request on an annual basis, starting one year after issuance and until full allocation, a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by an external auditor.

7. Disclaimer

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