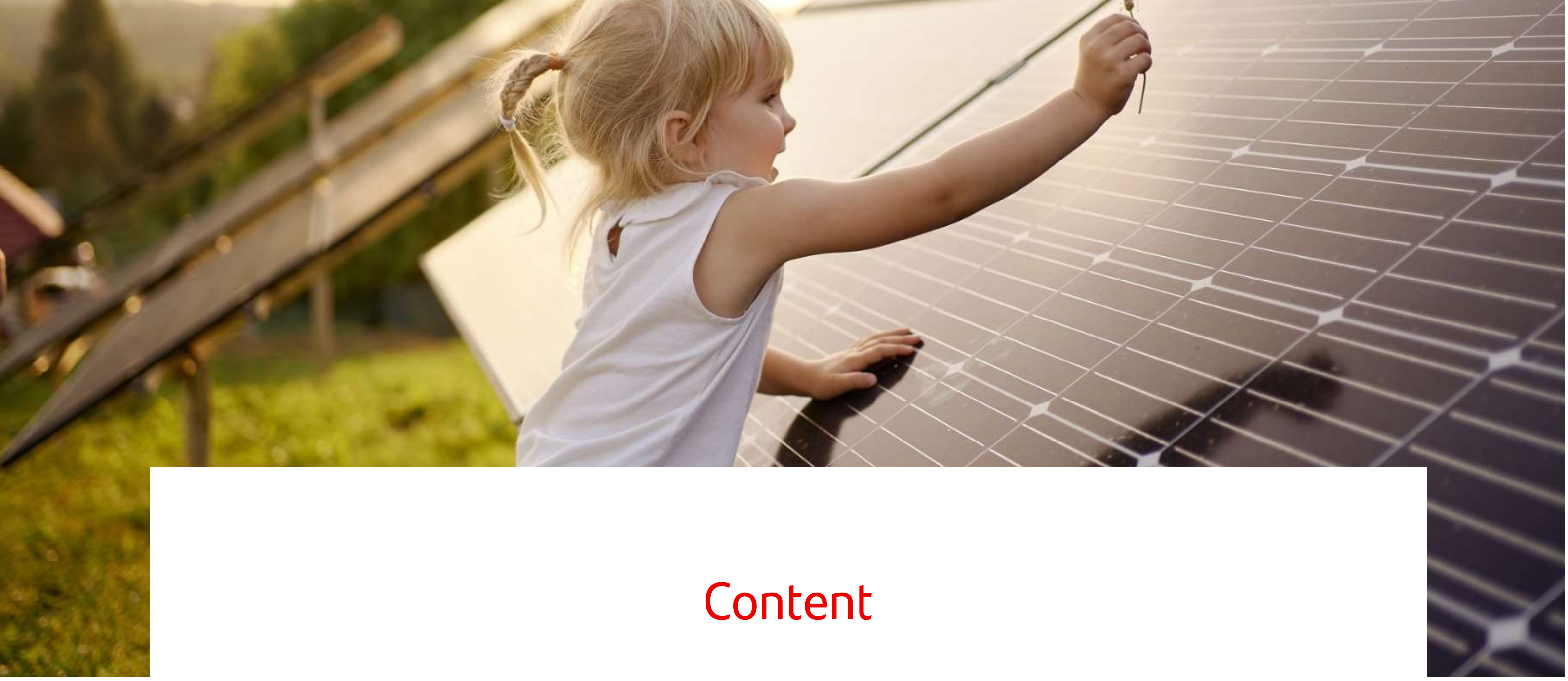
Sustainability Report | 2021

Santander Consumer Bank



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CEO's foreword

Doing business in a responsible and sustainable way

As we release our first sustainability report, we do so with pride in what we are already achieving as an organization, whilst at the same time we are impatient to deliver more.

Solving the climate crisis won't be easy. But inaction is not an option. We all have a part to play and we as an organization are clear that we have much work ahead of us

Grupo Santander, one of the world's largest financial groups, has ambitious sustainability goals and here in the Nordics we are playing our part to support these by establishing sustainability on an end-to-end basis throughout our value chain.

Let's be clear: Banks finance consumption, which has a climate footprint. Our customers buy material goods in all categories and they travel. The task at hand is not to curtail consumption, but for society to shift its consumption towards technologies and behaviors with low or zero emissions. A very relevant example of this is the growing shift towards the adoption of electric powered vehicles across the Nordics where, as the region's largest auto finance provider, we are making a significant contribution to the green transition within the mobility sector.

Individuals alone cannot solve the world's sustainability challenges. Only through the combined efforts of governments, businesses, organizations, and ourselves as individuals can we make the needed difference. Few businesses focus on sustainability out of pure altruism alone. They do so because they recognize that it is beneficial for businesses to operate in a sustainable society. Stability is also good for employees, customers, and future customers, on which any business depends. Furthermore, shifts in consumption behavior amongst consumers towards more sustainable choices represents business opportunities and we, as a bank, are committed to being there to support our customers and partners in making this transition. This is exemplified in our new brand concept "*When it feels right*", where we raise the question of what responsible consumption means for people living in the Nordics.

In Santander, we believe in a broad approach to sustainability, from how we take care of our employees and support our local communities, to how we advise and work together with our customers and partners on sustainable choices. Listening to our stakeholders is of vital importance to ensure we are focused on those sustainability topics that are of most relevance and importance to them and us.

Solving the climate crisis won't be easy. But inaction is not an option. We all have a part to play and we as an organization are clear that we have much work ahead of us. We will be transparent about what we are doing, the progress we've made – and what we are not yet doing; the simple reason being that most changes start with transparency.

Michael Hvidsten
CEO, Santander Consumer Bank AS

Grupo Santander's Responsible Banking ambitions

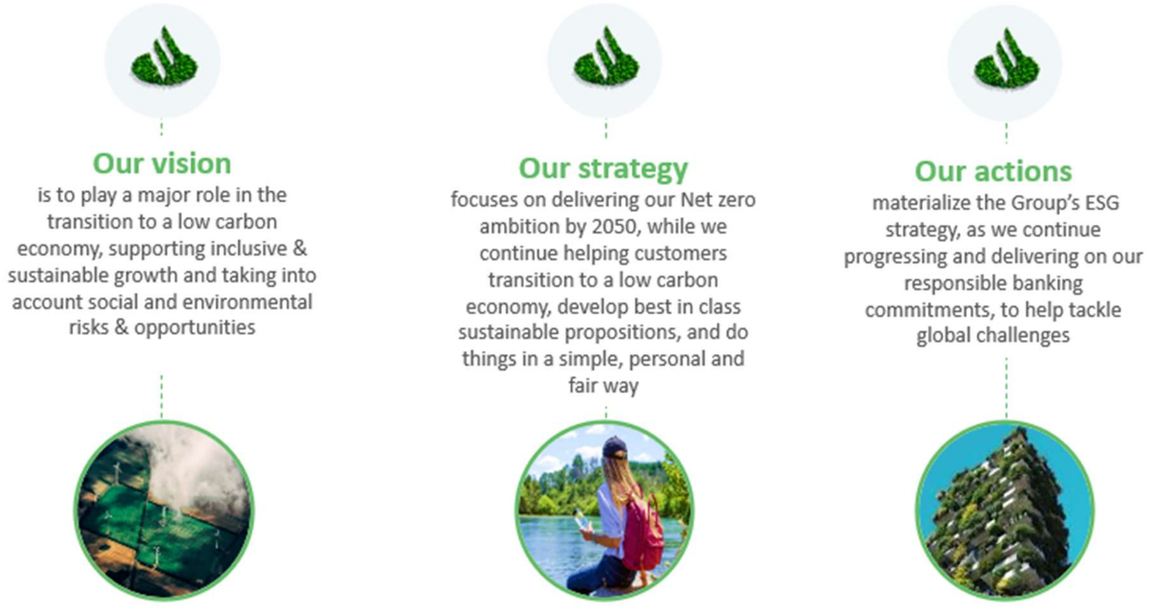


Figure 1 - Grupo Santander's Responsible Banking vision, strategy, and actions

Commitment to Responsible Banking and Sustainable Finance

Grupo Santander is a founding member of the "United Nations Environment Programme - Finance Initiative (UNEP FI) Principles for Responsible Banking" and the "Net-Zero Banking Alliance (NZBA)", which together have established standards and practices to meet the Paris Agreement targets and related net-zero carbon emission ambition.

Grupo's strategic vision is to play a major role in society's transition to a low carbon economy, supporting inclusive & sustainable growth and addressing social and environmental risks & opportunities. This is pursued through a strategy focused on helping customers transition to a low carbon economy, by offering them best in class sustainable propositions in a simple, personal, and fair way. Grupo's vision, strategy and related actions are outlined in Figure 1 above.

Grupo has established a Responsible Banking agenda, based on three strategic pillars aligned to the ESG (Environment, Social and Governance) framework to guide its actions – outlined in Figure 2 below:

3 strategic pillars	Ambition	Strategic Actions
Support climate transition	Deliver our **Net zero** ambition **by 2050** helping our **customers** in their **transition** to a sustainable and low carbon economy	• **Alignment of the sectors** with highest level of **GHG emissions** with our Net zero commitment, in line with NZBA, while taking into consideration other environmental goals • Support **customers** in **accelerating their transition, engaging** with them and developing a **best-in-class sustainable finance and investment** proposition
Contribute to generate positive society returns	Support **productive inclusion** across our **main stakeholders**: employees, customers and communities	• **Diverse and inclusive workplace** that fosters employee wellbeing • Support **financial inclusion** of the most vulnerable customers, promoting access to banking products and services and offering financial education • **Community support**, with focus on Education, Employability and Entrepreneurship
Embed ESG across the organization	**Incorporate ESG** in behaviours, policies, processes and governance throughout the Group	• Consistent **tone from the top** to drive **cultural change and deliver on our commitments** (climate, diversity, training...) • **Integrate ESG** into strategic processes, Risk Management & rest of relevant functions and build capabilities

Figure 2 - Grupo Santander's Responsible Banking agenda

In order to be aligned with the Paris Agreement and with the aim of limiting global temperature increase to 1.5°C, Grupo has committed to be net zero in carbon emissions by 2050. It has established the following roadmap to achieve this goal:

Furthermore, to both demonstrate its commitment to its Responsible Banking ambitions and progress towards these, Grupo Santander has established a set of Public Commitments. Grupo has consistently delivered on these commitments, achieving the targets set in 2019 to be met by 2021.

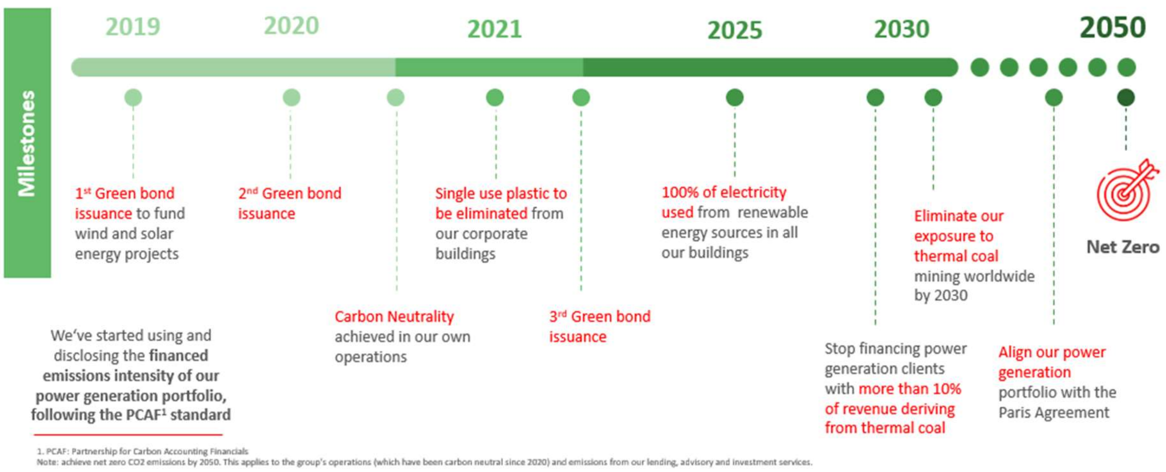


Figure 3 - Grupo Santander's roadmap to Net Zero by 2050

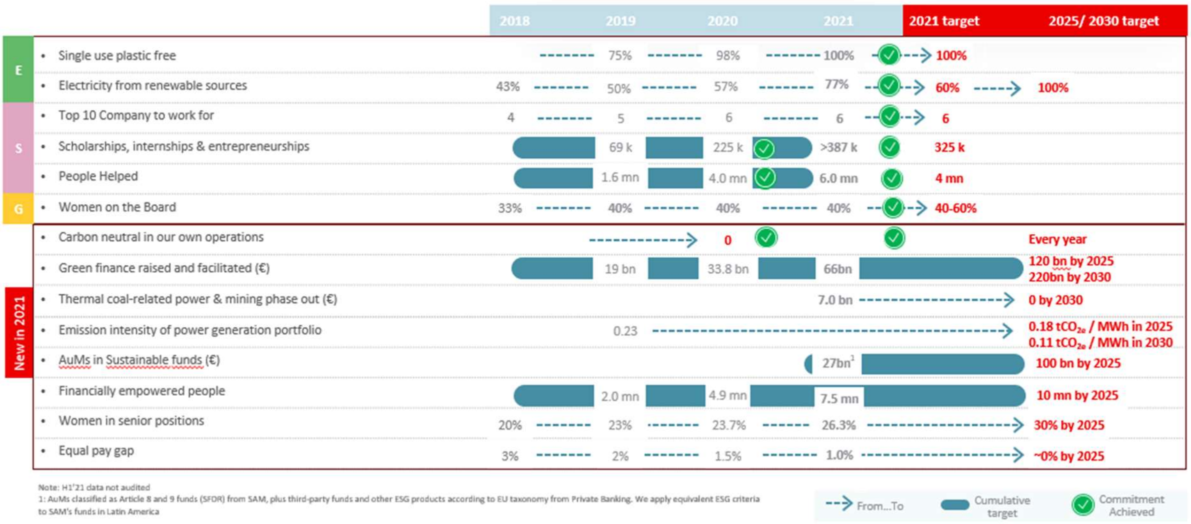


Figure 4 - Grupo Santander's Responsible Banking Public Commitments

The Group's approach to Responsible Banking

Santander Consumer Bank's (" The Group") business vision is to "help people and businesses prosper" with the associated mission to be the "leading Nordic consumer finance platform".

Achievement of these ambitions is pursued through a strategy based on three strategic pillars:

- **Grow Selectively** – placing sustainable profitability at the core of existing and new business propositions.
- **Operate Efficiently** – ensuring an efficient, robust, and scalable operating model and resource allocation
- **Work Collaboratively** – an organizational model underpinned by collaboration and engagement

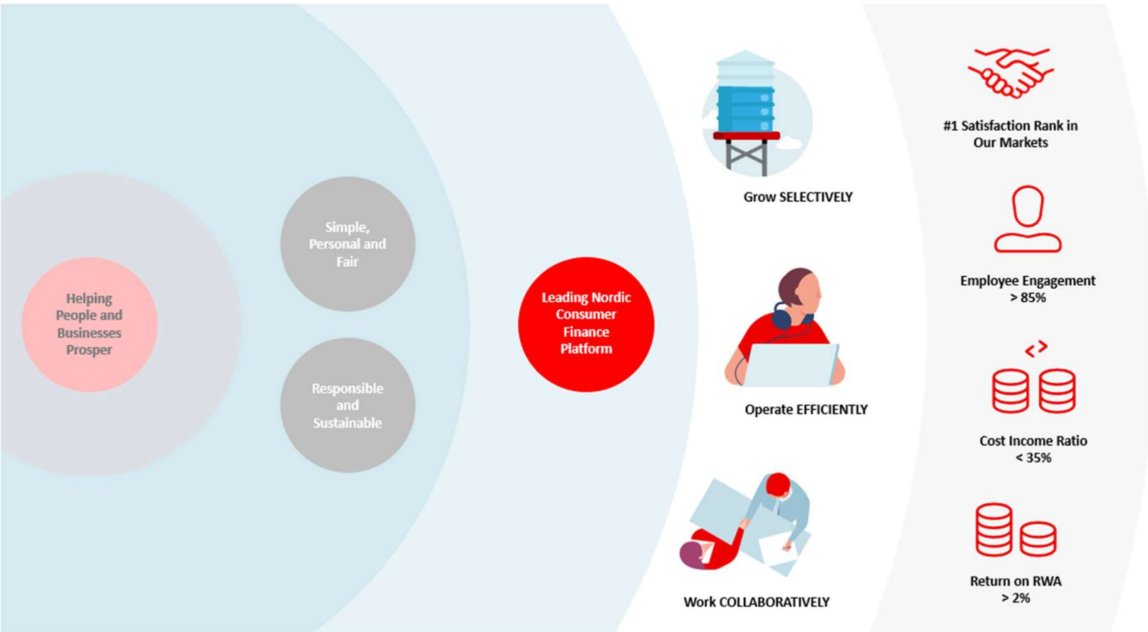


Figure 5 – Santander Consumer Bank's strategy

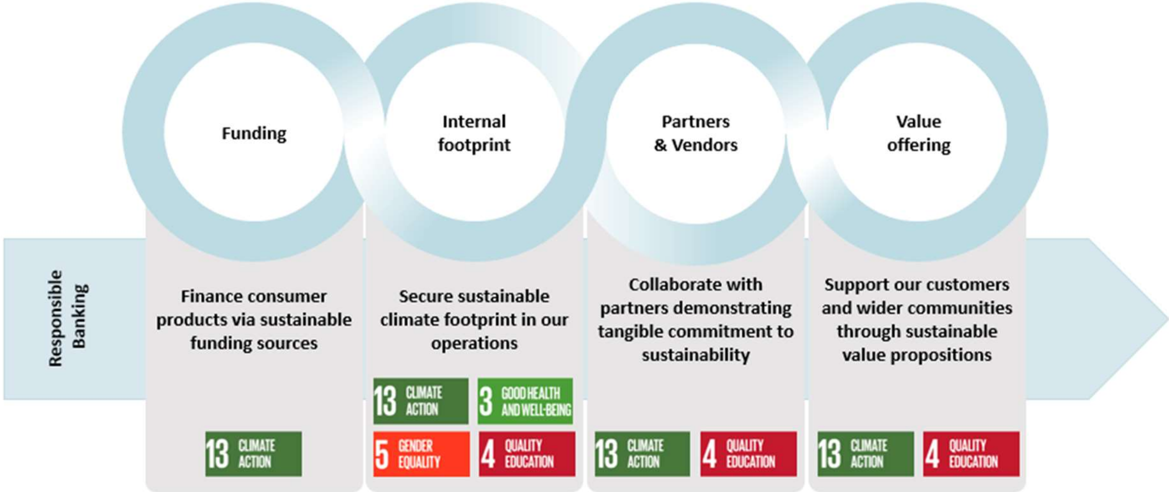


Figure 6 – The Group's sustainable value chain

A key foundation of the Group's strategy is to perform business in a "***responsible and sustainable way***" thereby fully embracing the Grupo Santander concept of "**Responsible Banking**".

The Group's approach to Responsible Banking is fully aligned with Grupo's Responsible Banking vision and agenda – as outlined in Figures 1 and 2 - and is founded upon the establishment of a sustainable value chain, supporting its end-to-end business operations – as outlined in Figure 6 above.

The Group operationalizes its approach to Responsible Banking through driving alignment of its business operations and propositions to the sustainable value chain. Alignment to the value chain not only supports the Group's overarching Responsible Banking ambitions, but also contributes to supporting four of the United Nations Sustainable Development Goals ("SDGs") on which the Group places special focus. These are:

Four special focus UN Sustainable Development Goals

4 QUALITY EDUCATION

Recognizing the significance of education as the foundation for a fair society and robust economy. The Group is committed to helping people prosper through education to empower and to promote financial resilience.

5 GENDER EQUALITY

Promoting an inclusive and diverse workplace, ensuring that equal opportunity is a strategic priority and is embedded in the organization's operational culture and demonstrated through fair and transparent employment and remuneration practices.

13 CLIMATE ACTION

Accepting the challenge of tackling climate change by aligning business portfolios to meet the Paris Agreement goals, supporting customers in the green transition, reducing the environmental impact from own operations as well as embedding climate risk with risk management.

3 GOOD HEALTH AND WELL-BEING

Understanding that the good health and well-being within wider society should not be underestimated as a driver of economic growth, prosperity, and equal opportunities. The Group has, and continues to be, a strong promoter of social and workplace health and well-being

Figure 7 – The Group's four special focus UN SDGs

Key Responsible Banking highlights from 2021

Whilst arguably within the early stages of its Responsible Banking journey, the Group continues to demonstrate tangible progress. Key milestones were reached during the year that clearly highlight the Group's progress and commitments – as outlined below:

Figure 8 – The Group's Responsible Banking progress highlights 2021

Materiality assessment & stakeholder dialogue

The Group's Responsible Banking efforts are guided by ensuring consciousness around the most material sustainability topics potentially impacting the environment/society and the Group itself.

Identifying the Group's most material sustainability topics

In Q4 2021/Q1 2022, the Group conducted a materiality assessment to identify Material Topics in accordance with the methodology of the GRI Standards 2016. The process consisted of gathering input from key stakeholders based on interviews and surveys. Interviews were performed by a third-party organization to ensure objectivity. Stakeholders included employees, customers, commercial partners/vendors, an investor, and an NGO. This year's process has created a solid foundation for adopting the GRI Standards 2021 for future sustainability reports.

MATERIALITY MATRIX

The assessment provided valuable insight into which environmental, social, and governance topics were considered to be of highest relevance and potential impact to stakeholders and the Group. These are illustrated in Figure 9 below:

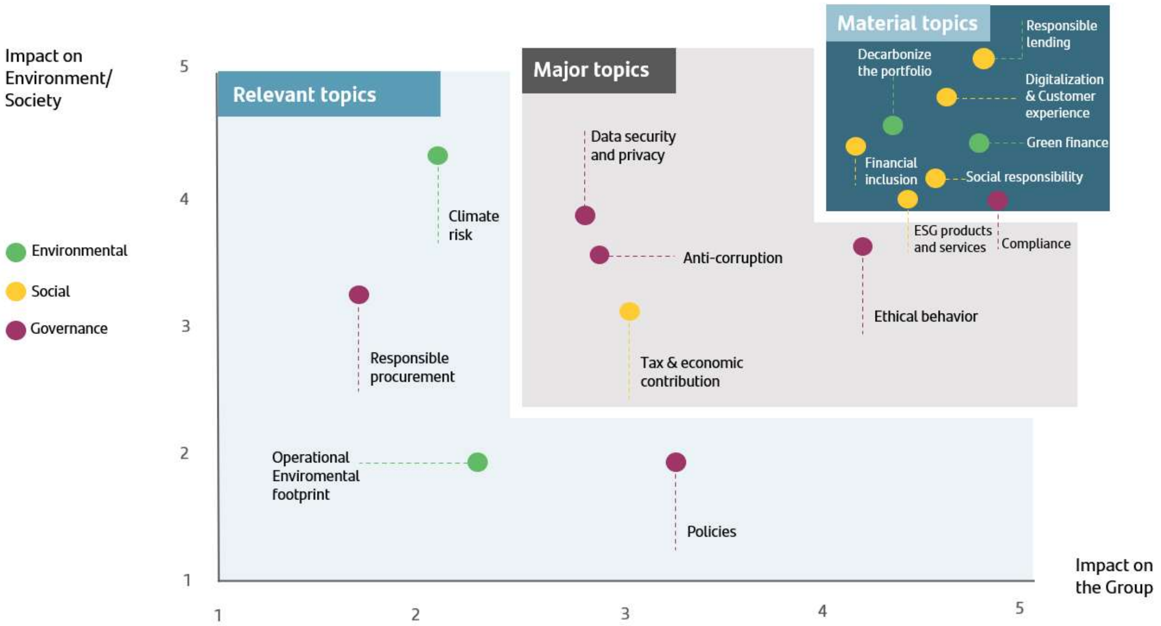


Figure 9 - Stakeholder materiality assessment matrix

MATERIAL TOPICS

Four overarching material theme topics emerged from the assessment – these were:

Material topics

Green Finance	Financial Inclusion & Education	Responsible Lending	Customer Experience & Satisfaction
• Supporting our customers transition to a low-carbon economy by embedding environmental factors in products and risk analyses, and by supporting the growth of sustainable financial product markets.	• Designing, developing and delivering products and services that ensure access to the financial system and meet credit needs. • Building resilience through financial education.	• Ensuring our risk management framework incorporates customers' and operations' environmental (i.e., climate) and social (i.e., human rights) risks, and outlining them in policies and procedures.	• Supporting customers and local economies with products and services that meet their needs. Giving them services and products that are Simple, Personal and Fair. • Innovating and using digital technologies to maximize access to products and services.

Figure 10 - Material topics overview

GREEN FINANCE

The Paris Agreement is a legally binding global climate change agreement, adopted in 2015, that sets out a global framework to avoid accelerated climate change by limiting global warming to well below 2°C, with further efforts to limit it to 1.5°C. Should these ambitious goals not be met, scientific experts are clear that this would lead to devastating climate impacts, such as more frequent and severe storms, droughts, wildfires and flooding due to sea level rise.

Grupo's climate strategy in response to the above is based upon four key pillars, as outlined in Figure 11 below.

How the group works with green finance

As previously highlighted in this report, Grupo Santander's strategic vision is to play a major role in society's transition to a low carbon economy in support of its Net Zero by 2050 ambition. The Group primarily supports this by helping customers transition to a low carbon economy, by offering them best in class sustainable (green finance) propositions in a simple, personal, and fair way i.e., supporting the second pillar of Grupo's climate strategy. Helping consumers transition to a low carbon environment was considered by stakeholders to be a key relevant topic.

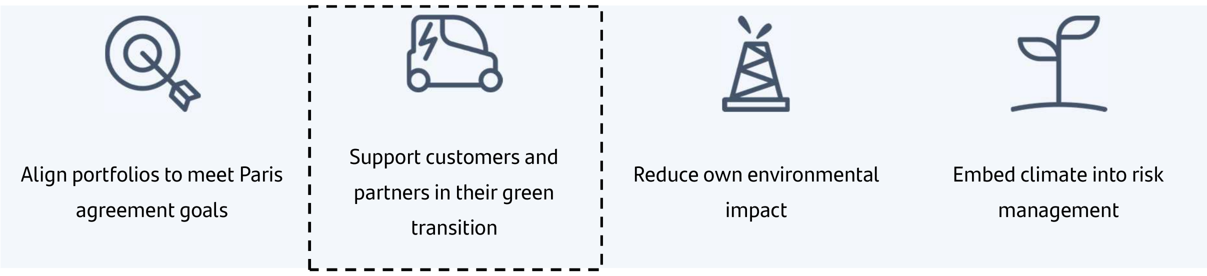


Figure 11 – Grupo's four pillar-based climate strategy (summarised)

Value Proposition

Broadly speaking, the Group's consumer financing activities are split into two main product areas – automotive finance and unsecured consumer financing. As of December 31, 2021, automotive finance constituted approximately 82% of loans to customers and unsecured consumer finance accounted for the remaining 18%.

As of today, the Group's green finance proposition is developed around two core business areas – green mobility and green home energy solutions – as well as the issuance of green bonds to fund its green mobility – electric vehicle (EVs) financing – activities.

Risk Management

As indicated in Grupo's climate strategy (Figure 11), embedding climate risk into the organization's overall risk processes and activities will be of paramount importance in supporting the achievement of the Net Zero by 2050 and in managing emerging transitional and physical climate related risks. The Group is taking steps to increasingly integrate climate-related risk into its overall risk management processes, which is commented further in Section 4 of this report under "Risk Management".

Green mobility	Green vehicles	Financing of electric and hybrid vehicles (<50g CO_2 per km), financing of charging stations, financing of bicycles and electric bikes
Green home energy solutions	Renewable energy production and energy saving	Financing of green home energy solutions e.g., solar panels
Green bonds	Funding the financing of green vehicles	Funding our portfolio of financed passenger electric passenger cars

Measures

The status of the Group's green financing activities as at year end 2021 are set out in Figure 12 below. Targets for 2024 were established as part of the Grupo annual 3-year financial planning exercise performed in 2021. Reported figures are expressed in EUR equivalents.

In addition to the below metrics, the Group will begin in 2022 to report on its Green Asset Ratio in relation to its auto financing portfolio. As the ability to report and monitor progress improves, the Group will place even more focus and emphasis on establishing targets for its Green Finance business activities.

Policies and Procedures

Underpinning its green finance activities, the Group aligns activities to relevant policies, for example, the global corporate General Sustainability policy – which sets out Grupo's commitment to protecting the environment as well as consideration of the environmental impact of its internal operations and setting forth prohibitions and restrictions to the financing of activities that may have a direct environmental and social impact.

Metric	Description	2021 Actual	2024 Target
Green Book **(New Business Volumes – € equivalent)**	"Green Book" products relate to products and services classified as green products with specific terms and conditions – as defined under Grupo's SFCS classification system	n/a MM EUR	38 MM EUR
Other Green Finance **(New Business Volumes – € equivalent)**	Relates to green financing activities in in products and services with general terms and conditions i.e., no specific green financing terms and conditions – as defined under Grupo's SFCS classification system	1 103 MM EUR	2 120 MM EUR
Green bonds **(Issuance size – € equivalent)**	Volume of funding raised through established Green Bond program; proceeds are used to fund new passenger EVs	248 MM EUR	200 MM EUR
EV market share	Number of new passenger EVs financed by Santander as a percentage of overall Nordic market	14,7%	n.a.

Figure 12 - Green finance measures

Key activities in 2021

Secured – "Green mobility" (Auto finance)

	NORWAY	SWEDEN	DENMARK	FINLAND
(New Business Volumes - € equivalent)	659 MM EUR	332 MM EUR	46 MM EUR	48 MM EUR
(# financed contracts – New EVs)	16 852	11 374	1 110	1 013
(Market share of financed EVs – New EVs)	14,8%	19,8%	4,5%	10,0%

Figure 13 – The Group's EV financing in 2021

The Group has a strategic commitment to supporting the green transition by financing vehicle electrification. As a leader in the Nordic auto finance market, 32% of all new cars financed (number of contracts) by the Group in 2021 were EVs. The Group financed 30 349 purchases of new EVs in 2021, representing 14.7% of the total Nordic EV market. The figure above provides an overview of the Group's EV financing by market, in 2021.

Though Norway continues to lead the way in terms of absolute EV sales, the uptake of EVs continues to grow in the other Nordic markets, especially Sweden, where the Group's market share in 2021 was close to 20%, and in Finland, where EV market share has increased to 10%.

During 2021, the Group's auto finance customers (certain financing products in Sweden and Finland) were offered the opportunity to offset their vehicle carbon emissions.

Unsecured – Green home energy solutions and bicycles/e-bicycles

The Group, through its Sales Finance proposition provides consumers with financing of green home energy solutions, such as solar panels and ground water heating systems, amongst others. In 2021, the Group continued to successfully establish additional home energy financing partnerships in

Denmark and Finland. In Finland, green home energy financing represents the second biggest financing category and has grown significantly in 2021.

Overall, the Group financed more than 17 MM EUR equivalent of green home energy solutions in 2021, representing almost 1 600 contracts. Furthermore, in 2021, the Group began to provide financing for bicycles and electric bicycles in Denmark, and Finland, and where financing amounted to approximately 1.6 MM EUR equivalent.

These consumer segments are considered by the Group as highly attractive and growing markets and the Group intends to continue developing its propositions in this area.

	NORWAY	SWEDEN	DENMARK	FINLAND
(New Business Volumes - € equivalent)	n.a.	n.a.	3,4 MM EUR	13,8 MM EUR
(New Business Volumes - € equivalent)	n.a	n.a.	1,3 MM EUR	0,3 MM EUR

Figure 14 - Green home energy solutions and bicycles/e-bicycles financing in 2021

Green bonds

Following the publication of the Green Bond Framework in December 2019, green bonds have become both a significant pillar of the Group's funding strategy as well as a core component of the Group's sustainable value chain in relation to green funding. By raising pools of funding to specifically finance EV passenger vehicles, the Group ensures that it is able to contribute to its customers' transition to a low carbon economy. In November 2021, as part of the established green bond program, the Group launched its inaugural Norwegian Green Bond issuance of 1 000 MM NOK, following several successful previous Swedish issuances. Aligning to the green bond principles, an annual impact report is produced to assess the impact of electric vehicles in Norway on greenhouse gas emissions[1]. Total Green Bond issuances in 2021 amounted to 248 MM EUR equivalent.

In February 2022, Grupo Santander updated its Global Sustainable Bond framework and Green Bond Framework originally created in September 2019. These were consolidated into a Santander Green, Social & Sustainability Group-wide Framework, a new reference document for all future issuances of green, social, and sustainability labelled funding instruments. The new framework includes a larger range of use of eligible proceeds categories; a greater span of funding instruments governed under it; and a broader scope of entities from within the Grupo Santander are explicitly included so that they are able to use this framework for labelled funding instruments.

Reporting

In collaboration with Grupo, the Group has been focused on improving the quantity and quality of its reporting across its green financing activities in 2021. With the EU Taxonomy entering into force, the need to expand sustainability reporting is clear. Accordingly, in 2021, the Group worked to develop a solution to measure the emissions emanating from all vehicles financed across the Nordics through the application of the Greenhouse Gas Protocol (GHG). The solution will enable the Group to report on the Green Asset Ratio - the EBA defined KPI that measures the percentage of green financing over total financing - from January 2022, in line with the directive's stated timeline.

In addition to the Green Asset Ratio, Grupo Santander has developed the Sustainable Finance Classification System ("SFCS"). The SFCS draws on such international industry guidelines, standards, and principles as the EU Taxonomy, ICMA, LMA Principles, UNEP FI framework and Climate Bond Standards. It also ensures a consistent approach to viewing sustainable finance across Santander Group that enables activity tracking, product development, mitigation of the risk of greenwashing etc.

[1] More information on the Green Bond framework, issuance and impact report can be found at: https://www.santanderconsumer.no/om-oss/investor-relations/green-bonds/

The way forward

The GAR emissions project – relating to Scope 3 greenhouse gas emissions - will transition from its current tactical solution to a more strategic solution, whereby all emissions data for the portfolio of vehicles that the Group finances will be delivered from a single Nordic vendor. This will improve data quality and process efficiencies. This will include backtracking the portfolio to be able to also gather historical data.

The Group will progress activities to expand its reporting of Scope 1 and 2 emissions

The Group will continue to build and implement its governance and oversight relating to sustainable finance. In addition, there is appetite to introduce environmental considerations within the Group's New Product and Approval Process ("NPAP"), which sets out requirements for approval and commercialization of products and services.

The launch of the Energy+ loan which will target home energy solutions, further enhancing the Group's penetration of this attractive market.

The Group will also assess opportunities to launch a green deposit product as an additional means of funding the Group's portfolio of green assets.

RESPONSIBLE LENDING

In recent years, banking institutions have undergone a major transformation to adopt business models that are more responsible towards their stakeholders.

The provision of consumer credit provides individuals with the capacity to purchase relevant goods and services that might otherwise not be obtainable, participate in the wider consumption-driven economy, and thus enhance their quality of life. Banks have the ultimate responsibility to ensure that credit is provided to customers in a prudent and responsible manner, so as to avoid the negative ramifications associated with over indebtedness.

The complexities involved in financing – whether that be technical abbreviation such as APR, references to nominal vs. effective interest rates, or otherwise, as well understanding the true costs of financing can be troublesome for consumers

Banks must embrace **responsibility principles** to ensure the customer's and societies' wider interests are considered when supplying finance

to understand. It is therefore critical that banks provide consumers with clear, concise, and digestible information, thereby enabling them to make informed borrowing decisions. In addition, banks must also assume the responsibility for ensuring that prospective borrowers have the means to take on and service debt without significantly impacting the borrower's general economic situation. Consumer credit provision has dramatically increased in recent years, which has led to record high levels of indebtedness, measured by household debt to income. In particular, consumers within the four Nordic countries are amongst the most indebted within the EU/EEA.

In the event of a negative asset price shock and/or a significant increase in interest rates, many borrowers would likely experience financial difficulties. Therefore, from the Group's perspective, there exists a direct obligation to ensure that all prospective customers' affordability is thoroughly assessed and that they are underwritten in a fair and responsible manner. Such an approach ensures that the Group's customers are provided with products and services that meet their respective profile, minimize the downside risks associated with consumer lending, and secure that economic value is created for stakeholders.

Consumers can select from a wide range of products in order to meet their respective financing needs. More so than ever before, banks must embrace responsibility principles to ensure the customer's and societies' wider interests are considered when supplying finance. Accordingly, the United Nations' Principles for Responsible Banking, of which Grupo Santander is a signatory, sets out the path for banks to create fairer and more responsible banking products and services.

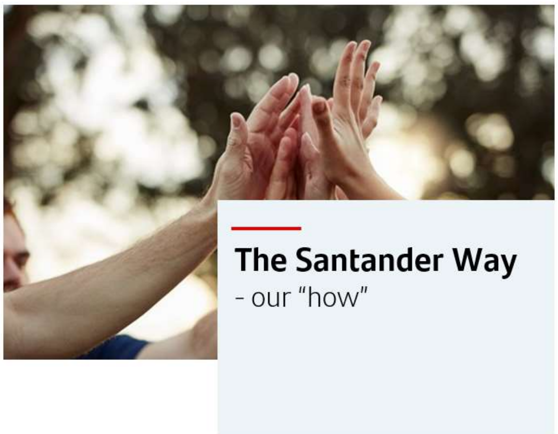
How the Group works with responsible lending

Corporate culture

Santander Consumer Bank - Values		
Simple	**Personal**	**Fair**
Offer customers an accessible service, with simple and easy-to-understand products. Use simple language and improve processes	Serve customers in a personalized way, offering products and services that are tailored to their particular needs. Ensure employees and customers feel valued	Treat employees and customers fairly and equally; transparent and deliver on promises. Maintain good relations with the various stakeholders understanding that what is good for them is also good for Santander.

Figure 15 - The Group's value platform

The Santander Way outlines the Group's purpose, aim and how business is conducted and sets the foundations for operating as a responsible bank. At the core of The Santander Way lies the values platform – to be Simple, Personal, and Fair across all stakeholder interactions.



Principles

The Group's aim is to meet customer financing needs without conflicting the responsibility to contribute to a fair and sustainable society.

- **Creating products that fit the common interest:** Products must meet the specific users' needs and set prices and terms in an appropriate manner.
- **Examining an applicant's finances:** Gather useful, relevant information from the customer and eligible external sources after having notified the customer.
- **Advising customers based on their needs:** Market and sell products fairly and only recommend products that meet customers' objectives and preferences. To prevent over-indebtedness and to inform customers about conditions that might not fit their financial situation.
- **Providing clear information:** Clear and straightforward communication that avoids unnecessary, lengthy, and difficult to comprehend legal disclaimers.

By committing to these principles, the Group ensures that customers are treated fairly and that it meets its responsible lending objectives. The overarching outcome will be of benefit to customers and the wider society, as:

- **Rational decision-making:** Customers can better assess and choose the best / most suitable financing option
- **Improved financial profile:** Access to suitable, affordable financing, enabling the customer to fulfil their needs
- **Negate over-indebtedness:** Affordability assessments ensure that the customer has the capacity to meet their overall financial obligations
- **Improve well-being:** Confidence around suitability and affordability of the loan will provide customers with improved well-being and confidence with their financial situation

Policies and Procedures

The Group has established policies that directly address and support this topic - in particular, the Group's Consumer Protection policy, which encompasses responsible lending principles:

Consumer protection policy

Built on the value of treating customers fairly – the policy outlines that customers' have a right to be treated respectfully, honestly, and fairly. They are entitled to high ethical standards of service and must be provided with financial solutions based strictly upon the assessment of their needs and risk profile. The key principles of the policy relating to responsible lending include:

- **Transparency –** Communication is to be clear and transparent throughout the interaction with the customer
- **Accurate and sufficient information** that is coherent and comparable; and,
- **Responsible pricing –** Determining price affordability and relevance for the customer.

To ensure that the policy is implemented, adhered to and that mitigation actions can be introduced in the event of non-compliance, the Group operates with a three lines of defense model. The first line – the respective business unit that deals directly with the end customer – are required to comply with the principles outlined in the policy. The Compliance function serves as second line of defense, providing oversight to ensure that the policy is being enforced. The Compliance function has the established power to propose corrective actions in the event of non-compliance with the policy. Internal Audit, as the third line of defense, is responsible for regularly evaluating the application of the policy and its implementation in the Bank.

The Compliance function regularly issues product and service monitoring reports, that set out to improve adequate risk management as well as the identification of customer sensitive issues, allowing comparison to risk assessments performed in different countries, as well as its inclusion in an integrated view of the various risks. In addition, there exist certain metrics that the Group captures that can provide indications of performance against its responsible lending objectives. For example, the volume and severity of complaints submitted by customers outlines if / where the Group has, potentially, acted irresponsibility. The Net Promoter Score is a broader marketing metric that provides an indication as to whether existing customers would recommend the Group's products and services.

Engagement

Through the stakeholder dialogue exercise and a series of customer branding workshops held during 2021, a clear theme relating to providing information and knowledge to secure better informed customers and consumption emerged. Various campaigns, including "Handle Ansvarlig" – launched in 2020 and which focused on promoting conscious and responsible consumption, and the launch of "Økonomiskolen" online knowledge content in 2021, demonstrate the Group's commitment to engage, support and promote responsible practices with its customer base.

Measures

Given the Group's relative current maturity with respect to performing materiality assessments, formal performance indicators specific to responsible lending are yet to be established. However, within the Group's operating model, there exists several risk indicators and customer feedback metrics that provide a good proxy for the Group's performance.

Non-performing loans – Maintaining NPLs at levels that compare favorably with other market participants gives an indication that Group's underwriting processes are robust, reflect customer affordability and does not put undue pressure on customers' household finances

- 2021: 3.1% of the Group's total loans were considered to be non-performing, of which secured finance represented 1.6% and unsecured finance 9.6%, which is below the unsecured market average of ~15%

Number of complaints – Strongly linked to conduct risk and demonstrates the relative number of complaints the Group receives from its customers.

- 2021: Complaint levels are monitored on an ongoing, frequent basis. The key measurement used is the number of complaints for every 10 000 customers. An adjustment (+/-) is then made to the actual complaints metric based on the Uphold Ratio (% complaints resolved in the customer's favour). The average (average of months) complaints per 10 000 interactions - adjusted for the Uphold Ratio – was 2,22 for 2021 and was 1,51 for December 2021 – both below the internal "Alert" threshold of >3 complaints per 10 000 customers.

Key activities in 2021

The Group has focused efforts on integrating responsible lending and ESG principles within its credit origination and underwriting processes. During 2021, a key activity has been the implementation of the EBA Loan Origination and Monitoring Guidelines, and related local FSA guidelines. Specifically, these guidelines communicate best practices on how to assess the borrower's creditworthiness, and how to handle the information and data for such assessments. The objective of the guidelines is to ensure newly originated loans have adequate credit quality, are aligned with consumer protection rules, and respect fair treatment of consumers.

Through the medium of a digital magazine, the Group provides dynamic and relevant financial content to readers, focusing on support and guidance with respect to personal finances. Titled "Bedre Økonomi", the chapter of the magazine provides significant visual and text-based content aimed at educating the reader and enabling them to make better, more informed financial decisions. Within *Bedre Økonomi*, the Group in Denmark launched "*Økonomiskolen*", a forum that seeks to provide answers to customer questions relating to financial concepts and provides insight into banking terminology in an easily accessible and engaging way. During the course of 2021, the channel received more than 135 000 unique page views and more than 10 000 viewers of the YouTube content videos.

The way forward

With the increasing focus on consumer protection, the Group will continue to make requisite adjustments to its business model in response to various legislative directives and guidance, notably:

- The Norwegian Financial Agreements Act, which comes into force in 2022, will further enhance the scope of consumer protection, mirroring guidelines established in 2021 from the Swedish FSA and Danish Financial Ombudsman, respectively.
- The Finnish Ministry of Justice proposes to implement a positive credit register, applicable in 2024, that will provide the Group with access to a more comprehensive view of borrowers' income and credit situation.

The Group remains focused on delivering product simplification across its Nordic markets. The Group places importance on living by its simple, personal, and fair values and therefore, will look to ensure that its interest and fee structure exhibit alignment and simplicity across the business, enabling customers to better understand the product and/or service that they have assumed and simultaneously protecting consumers' affordability.

Following the positive engagement demonstrated in 2021 with the *Bedre Økonomi* and, in particular, "*Økonomiskolen*" initiatives, the Group is intent on continuing to develop this knowledge sharing platform as a vehicle to create awareness of personal financial management, responsible consumption, and financial product education.

The launch of the '*when it feels right'* brand platform will demonstrate the Group's commitment to supporting and financing responsible consumer choices. The Group wants to encourage choices that are both economically and environmentally well-considered and adapted to individual lifestyles and needs. The campaign is pan-Nordic and will be utilized across various mediums and audiences.

FINANCIAL INCLUSION & EDUCATION

Financial inclusion relates to the design, development and delivery of products and services that ensures ease of access to the financial system.

Financial education related to developing greater knowledge and awareness of the financial system, and of personal and household finance principles, is essential to mitigate the lack of understanding of financial products and services amongst consumers. Through various educational channels, people can be provided with the tools, skills and knowledge needed to make informed and appropriate financial decisions thereby safeguarding against over indebtedness. From the perspective of a bank, a positive biproduct of this is to minimize disputes and conflicts that may arise.

To be able to support financial inclusion and provide financial education, the Group must secure that its workforce possesses the requisite competencies in order to develop relevant, and appropriate products, services and related activities.

How the group works with financial inclusion & education

The Group's role as a leading banking institution across the Nordics goes beyond simply the provision of financial products; there exists a greater responsibility to ensure that we afford customers, and society more widely, with an accessible, well rounded, and informed service proposition.

Furthermore, as part of Grupo Santander's responsible banking public commitments, the Group is focused on contributing to supporting financial empowerment. "Financially empowered people" refers to those individuals who have been positively impacted and/or influenced through our product, service, or related initiatives. Such related initiatives go beyond commercial financial activities and include concepts such as developing education programs and content for the benefit of the society.

Promoting better financial health and stability by making financial concepts easier to understand and helping people make better choices is important. It is for this very reason that financial education is one of the key principles of the Nordic Consumer Protection policy.

Purpose	Goal	Guiding principle
Help more people prosper by empowering them financially, giving them access to tailored financial products and services, and improving their financial resilience through education.	Contribute to Grupo Santander's public commitment target to financially empower 10 million people between 2019 and 2025, achieved through the provision of financial education programs.	4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Consumer protection policy

The policy dictates that the Group must have in place education programs aimed at ensuring the provision to consumers of objective information related to products and services, with the ultimate objective of minimizing information asymmetries and protecting customers. Such education should apply the following considerations:

- **Fairness**: Education initiatives shall not be used as marketing actions or for commercial purposes. The priority should be the consumer's right to fair and transparent information. Contents must be expressly identified as education material, distinguishing it clearly from marketing and commercial contents.
- **Accuracy**: Education initiatives must provide transparent, clear, truthful, accurate, complete, and up-to-date information, and be free of any bias or prejudice in the issues addressed.
- **Transparency**: The language used in education must be simple, educational, and appropriate for the target group

Engagement

The predominant feedback relating to financial inclusion and education arising from the stakeholder dialogue exercise related to two concepts. The first being accessibility of financial products and services to encourage consumption and wider societal participation. The second related to the need for financial institutions to provide better education and insight to customers on financial products, whilst simultaneously reducing the complexity of its product and service offerings (i.e., through proposition standardization and fee structure simplification).

Recent initiatives aligned with the above sentiments are outlined below.

Grow@Santander and **DOJO** provides continuous learning within the company

Key activities in 2021

The Group continued its partnership with the Finnish organization *Talous ja nuoret* ("TAT"), whose mission is to help young people develop their skills in economics, working life and learning about entrepreneurship. The Group contributed to the partnership by collaborating with TAT (and other financial institutions) to develop financial education content for high school syllabuses and finance courses. In total, more than 20 000 students were enrolled onto the program in 2021.

The *Pää pinnalla* podcast is based on the topics of over-indebtedness, exclusion, and difficulties around talking about money for Finnish men. Though the focus is on men, the overarching aim of the series is to encourage Finnish people to talk about difficult monetary issues. The Group, together with the host, Mikko Kuustonen, discussed topics including, but not limited to, entrepreneurship and unemployment in the economic situation caused by the coronavirus and middle-class indebtedness. To date, the podcast has reached more than 3,000 listeners.

Support is afforded to customers and the wider public via Økonomiskolen, Santander's own School of Economics. The aim is to educate and inform about financial concepts, terminology, and banking products in an entertaining way.

The Group continued its partnership with the international organization Right to Play in 2021, whose mission is to protect, educate, and empower children to rise above adversity using the power of play. The Group's contribution goes beyond financial sponsorship; employees actively participate in charity races and activities supporting their mission. During 2021, the collaboration with Right to Play served to provide educational support to more than 4 000 individuals.

Grow@Santander is a combination of activities and initiatives all aimed at developing needed mindsets, ways of working, and a continuous learning culture within the company. Within this context, in 2021 the Group implemented a skills-matrix for all functions, focused upon competency development, and launched the new learning management platform DOJO – a fully digital learning environment that enables employees to plan and develop according to both individual and collective future competence needs.

The way forward

The Group has committed to establish individual development plans for all Nordic employees by the end of 2022, leveraging the DOJO learning platform. The HR function is currently developing skill matrices for all positions within the organization in order to identify core competency needs, which will serve as the basis for the development plans.

The Group's new Nordic brand platform "*when it feels right*" will continue to develop and offer financial education to users - for example, the aforementioned *Økonomiskolen* in Denmark and *Bilkjøpskolen* in Norway, which aim to provide readers with, amongst other things, information on common issues that arise when buying or selling a vehicle.

CUSTOMER EXPERIENCE & SATISFACTION

Beyond the provision of products and services, the Group's overall value proposition must align to the values of the society it operates in. In the case of the Nordics, stakeholders have high expectations for robust governance, tangible commitments to sustainability and, not least, a seamless digital experience. Banks unable to meet these expectations will likely see their customer bases dwindle as consumers instead opt to engage with banks that better meet their values, preferences, and demands. In such cases, the ability to grow and generate sustainable value will be diminished.

How the group works with customer satisfaction

Customer and partner centricity is a fundamental principle of the Group's corporate strategy and is manifested through our purpose and values platform. Fundamentally, the Group strives to deepen its relationships with customers and partners by creating simple value propositions built upon state-of-the-art digital platforms.

The Group's culture, "The Santander Way", is aligned with the corporate strategy and it encompasses the Group's purpose and its ways of working. It is considered a cornerstone of being a responsible bank.

- **Corporate Behaviors -** A key element of the Santander Way is the Group's corporate behaviors, which were launched in Q1 2022. These serve as the guiding star for how the Group steers towards delivering more benefits to its customers and partners, how it interacts with and impacts the wider society, and ultimately how it reacts and adapts to a fast moving, ever changing competitive environment.

- **Risk Pro –** the Group's risk culture is called Risk Pro and is a core element of both the Group's corporate culture and purpose. Risk Pro makes risk management "Everyone's business" and not just that of the Risk and Compliance and Conduct functions. The risks employees must manage everyday relate to finance, operations, conduct, compliance, cyber security, reputation, fraud, financial crime, and climate. It's everyone's responsibility to stay alert and know how to recognize, control, manage and report risks. The Group's performance review process incorporates risk objectives for each employee, to secure Risk Pro is anchored across the organization.

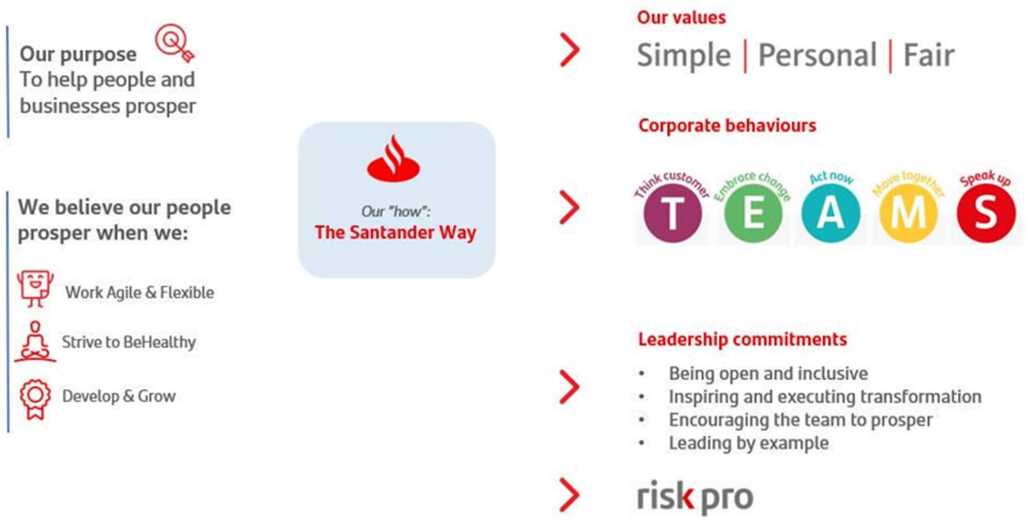


Figure 16 - The Santander Way

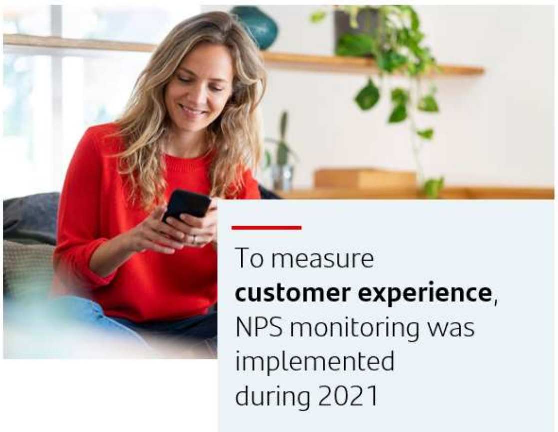
Policies & procedures

Consumer protection policy

- A core principle of the policy is the customer-centric design of products and services. This incorporates various wide-ranging aspects including the strict assessment of customer needs; consideration of the customer's capacity of indebtedness; a reasonable balance between risks, costs, and expected profits and competitive positioning; availability of the minimum information customers need for clear understanding; use of appropriate channels and systems to market products / services to customers,
- An objective is also to ensure that customer feedback on previous experiences and expectations is considered and acted upon, where relevant.

Commercialization of Products and Services and Consumer Protection Framework

- A Group-wide framework determines the essential elements for the appropriate management and control of compliance, conduct and reputational risks that arise from commercialization process in the product life cycle. The core principles underpinning the framework are broad but include (not exhaustive) the fair treatment of customers, customer understanding, appropriate distribution channel and execution in line with customer expectations, product monitoring, personal data protection, and appropriate and diligent complaints handling.



Approval of products and services policy

- Ensures that all customers are treated fairly, and the interests, objectives and characteristics of consumers are taken into account to avoid potential consumer detriment.

Approval of products and services procedure

- Operationalization of the Policy, securing that product design is adequate and complies with customers characteristics and needs, and where appropriate, measures and controls are implemented to highlight for which customers the product is not suitable and / or the customer is not the target audience.

The Nordic Quality & Complaints team was established in 2021, to manage customer complaints in an adequate manner and to enable improvements of the Group´s products and processes.

Engagement

The main customer and partner experience related themes emanating from the stakeholder dialogue exercise included the need for digitalization and a good ESG product and service proposition. Beyond this, the feedback captured a broader sentiment for social responsibility and the expectation from customer and partners that the Group does more than just provide a good customer journey and competitive interest rates. Customers and partners are also increasingly concerned with secondary elements that emanate from the primary value proposition (i.e., digitalization not only improves user experience, but it also serves to reduce environmental footprint and thus has a tangible benefit on the wider society). Through our assessment of climate-related risks, the Group identified not meeting stakeholders' broader expectations as a valid reputational risk.

Measures

Net Promoter Score – A marketing metric to identify the likelihood of customers recommending the Group. A positive NPS suggests that the Group is viewed positively by its customer base, which is unlikely to be the case should customers believe the Group has not acted responsibly. The Group began to implement and track NPS towards the end of 2021.

Key activities in 2021

In Q4 2021, the Group implemented NPS monitoring capabilities, better enabling the business to measure customer experience and resultant customer loyalty. This is an important tool to allow the Group to understand whether it is delivering on its overarching strategy and meeting customers' expectations. The Group's overall NPS was 33.7, where anything above zero implies positive feedback. NPS scores by market were as follows:

- Norway: 18.5
- Sweden: 7.2
- Denmark: 47.7
- Finland: 47.8

However, given the tool was implemented towards the end of 2021, NPS scores are expected to undergo a maturity phase. The Group has an ambition to obtain a more robust reading of its NPS in 2H 2022.

Since April 2021, the Group has focused upon defining and operationalizing new Agile-based ways of working. The Group recognizes the need to deliver demand-based customer solutions in an accelerated manner and leverage agile, cross functional teams and objective-based working methodologies to achieve this.

An important development within the Group's Auto financing business was the introduction of digital signing capabilities with respect to agreements between the Group, auto dealers and end consumers.

The Group undertook extensive customer and market insights in collaboration with Differ Strategy Consulting during 2021. This process involved the identification of positive and negative drivers across all of the Group's products and markets. The workshops also focused upon brand, defining, and outlining the most critical drivers to action. The feedback and outcomes of this process have informed the Group's product strategies.

The way forward

The Group will formally launch its new brand platform "*when it feels right*", developed in conjunction with the Differ strategy workshops and through dialogue with customers. Insight garnered from these channels indicates that consumers want to act more responsibly - there is therefore a need for banks that can lead and support a new attitude to both consumption culture and consumer financing

The Group will leverage the new NPS feedback capability to deliver meaningful insights that can inform how the Group approaches new products, services, and processes.

The Group will continue to execute on its digital transformation journey, with focus on product and service simplification and standardization across the Nordic value proposition. This goes to the heart of the Group's strategy aspiration – to be the leading consumer finance platform in the Nordics. To deliver on this aspiration, customer journey improvements, lowering the cost to serve and a seamless digital end to end service, will be of paramount importance.

Taskforce on Climate-related Financial Disclosures report

In developing this Sustainability Report, the Group has embraced the Task Force on Climate-related Financial Disclosures (TCFD) framework, which provides information to stakeholders on what the company is doing to mitigate the risks of climate change, as well how these are governed. The TCFD framework addresses four main aspects:

Governance	Strategy	Risk Management	Metrics & Targets
Disclosure of the organization's governance around climate-related risks and opportunities.	Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.	Disclosure on how the organization identifies, assesses, and manages climate-related risks.	Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Governance

In accordance with the fourth pillar of Grupo Santander's climate strategy (Figure 11), the Group is increasingly seeking to integrate climate related risks into its risk management and associated governance processes at both management and Board level. Components of the Group's risk management and how climate-risk is integrated into these are further described under "Risk Management" below.

The Group's robust risk governance structure allows it to conduct effective oversight in line with its risk appetite. It stands on a three lines of defense model – outlined below, a structure of committees and strong relations within functions, guided by the Group's risk culture, *Risk Pro*. Within Risk pro, all employees are responsible for managing the risks they encounter, regardless of level or role. As one of the common standards of the Group's corporate culture policy, Risk pro instils prudence and vigor into risk management.

The Group's Board of Directors oversees and monitors that the Group's strategy, strategic objectives, organizational structure, and risk strategy, including its risk appetite and risk management framework, as well as other policies and disclosure frameworks are implemented consistently.

First line	Second line	Third line
Businesses and functions that originate risks make up the first line of defense, which identifies, measures, controls, monitors, and reports risks. They adhere to all risk management policies and procedures, making sure risks are aligned with risk appetite and other limits.	The Risk and Compliance functions form the second line of defense to provide independent oversight and challenge to risk management decisions from the first line. The second line of defense ensures risks are managed according to risk appetite, strengthening the risk culture across the Group.	The Internal Audit function is independent to assure senior management about the quality and effectiveness of internal controls, risk management, governance, and systems, helping to safeguard our value, solvency, and reputation.

Specifically, the Group's Risk Strategy, developed by the Chief Risk Officer pursues the objective of securing the liquidity and long-term sustainability of the Group's business model through optimal risk-reward management with respect to identified risks and opportunities. In addition, the Risk Strategy reflects supervisory conditions and ensures overarching consistency with the Group's corporate strategy, and the strategy of its shareholders (Santander Consumer Finance S.A. and Grupo Santander).

The SCB Board Risk Committee advises and supports the Board of Directors on different subjects, including the definition and assessment of risk policies, risk appetite and risk strategy; the alignment of assets and liabilities policies with the business model and the risk strategy; the assessment of risk tools and projects; the monitoring of the risk profile in relation with the risk appetite set; the scenarios, hypothesis, results, and action plans of the stress test exercises.

The Group's Executive management committee ("ExCo"), headed by the Group CEO, consists of a representative from each of the organization's main functional business areas and key elements of the committee's mandate is to define and oversee the execution of the Group's corporate strategy and to secure the risk and control environment. Accordingly, these responsibilities are reflected in the annual performance objectives for each ExCo member.

The Responsible Banking department, placed under the Chief Operating Officer function, coordinates the operationalization of the Group's Responsible Banking agenda, and supports functions in executing their respective initiatives. The Responsible Banking department interacts directly with ExCo, providing regular updates on the progress of the Responsible Banking strategy, and facilitates the Responsible Banking Forum.

The Responsible Banking forum is designated as a working group that typically meets on a monthly basis and consists of cross-functional representation. The forum serves as an operative body to progress the Group's Responsible Banking efforts.

The **Responsible Banking Department** coordinates the Group's Responsible Banking efforts

STRATEGY

Risks and opportunities for this TCFD report have been considered over a three-year horizon. Moving forward, the Group intends to assess these over short-, medium- and long-term time horizons and will seek to quantify potential risks event consequences.

Climate risks and opportunities will likely influence the Group's strategy, including funding, operations, partners & vendors and value propositions and the Group will seek to further embed climate-related aspects within its strategic planning activities.

In addition to assessing climate-related risks and opportunities, risks have been evaluated in both a well-below 2°C scenario and a business-as-usual (4°C) scenario. One transition risk and one physical risk have been evaluated in a scenario analysis, and risks have been chosen based on potential financial impact.

Climate-related risks and opportunities

The Group has, for this report, considered climate risks over a three-year horizon only, and adopts a low (<20%), medium low (20%-50%), medium-high (50%-80%), and high (>80%) likelihood classification system. The three-year time horizon reflects the Group's strategy and financial planning cadence. As part of the Group's maturity journey, the Group will in future endeavor to consider risks using short-, medium- and long-term time horizons. In terms of financial impact, the Group currently adopts a qualitative approach, though has the intention to further develop its ability to quantify identified risks (and opportunities).

Identified climate-related risks are outlined in Figure 17 below:

Type		Risk	Likelihood	Impact	Consequence	Mitigation
Transition Risk	Regulatory	Risk of non-compliance with EU taxonomy laws and regulations relating to sustainable finance	<20%	Medium-low	Adverse regulatory attention and potential financial penalties	Pay close attention to emerging regulations and ensure that actions taken to ensure compliance
		Risk of national governmental or municipal regulations and policy decision to reduce private vehicle usage in urban areas	50%-80%	Medium-low	Impact on the attractiveness of private vehicle ownership in and around urban centers leading to fewer vehicle sales and lower financing volumes	Monitor developments and assess benefits of taking a presence in alternative mobility models
		Risk of significant increase in compliance burden relating to EU, national governmental or municipal climate-related laws and policies	80%	Medium-low	Significant increase in compliance related operational costs	Monitor development of emerging regulations and ensure that sustainable solutions are implemented
		Risk of significant volatility in national governmental climate-related laws, policies and incentives	<20%	Low	The need to rapidly adjust business strategy and operations to adjust to changes in laws and policies	Monitor developments in emerging laws and policies to assess impacts and needed changes in strategy and operations
	Technology	Risk that advances in EV technology result in significant variance between assumed vehicle residual values and actual residual values	50%-80%	Medium-low	Significant downside variance between assumed vehicle residual values and actual residual values, impacting profitability	Monitor developments and ensure residual value models are regularly assessed
		Risk that we are unable to develop technology solutions to inform consumers of the climatic impact of their consumption in line with their expectations	<20%	Low	Potential lack of competitiveness of our products and services	Monitor developments in consumer expectations and available/emerging tech solutions that can be leverages
	Market	Risk of significant reductions in consumer consumption based on climate-impact concerns	<20%	Medium-high	Potential reduction in consumer financing volumes, impacting profitability	Continual monitoring of consumption trends
		Risk of changing customer perspectives whereby customers demand differentiated and lower pricing for financing "green assets"	20%-50%	Medium	Inability to offer differentiated green financing products could impact our competitiveness. Differentiated pricing could impact profitability	Monitor emerging customer expectations
		Risk of a wholesale shift in mobility models driven by climate-impact perspectives, rendering private car ownership, especially in urban areas, less attractive	<20%	Medium-low	Impact on the attractiveness of private vehicle ownership in and around urban centres leading to fewer vehicle sales and lower financing volumes	Monitor developments and consider accessing other mobility segments, including fleet ownership to mitigate risk
	Reputation	Risk of not meeting key stakeholder (customers, partners, regulators, investor) expectations that the Group is operated in a responsible and sustainable fashion	<20%	High	Reputational loss resulting in a combination of reduced competitiveness, attractiveness as a financial partner and increased regulatory scrutiny	Ensure that our Responsible Banking agenda remains a key element of our business strategy in all stakeholder dimensions

		Risk of association with partners who themselves are not viewed by key stakeholders as acting in a responsible and sustainable fashion	20%-50%	Medium-high	Reputational loss resulting in a combination of reduced competitiveness, attractiveness as a financial partner and increased regulatory scrutiny	Ensure that our Responsible Banking agenda remains a key element of our business strategy in all stakeholder dimensions as well as ensuring robust and sustainable sourcing process
Physical	Acute	Risk of significant and longstanding impact on household energy costs caused by acute or chronic climate effects	<20%	Medium-low	Reduced household disposable incomes thereby both a) suppressing financing demand as well as b) impacting customers' ability to repay commitments	N/A
	Chronic	Risk of significant and widespread climate-related physical damage to collateral held as security for financing and/or damage to customer property impacting their ability to repay their commitments	<20%	Low	Potential impact on the ability to realize security to repay customer commitments	Collateral covered by insurance contracts to offset potential damage
		Risk of significant climate-related physical damage or disruption to the Group's physical assets – primarily office locations	<20%	Low	Business disruption	Home working in the event of damage or business disruption has been effectively tested during the Covid-19 pandemic
		Physical event impacting the supply chain/partners	20-50%%	Low	Business disruption	N/A

Figure 17 – The Group's climate risks assessment

As per the Group's Responsible Banking ambitions, the desire to reduce environmental footprint and support consumers transition to a low-carbon economy presents a significant number of opportunities for the Group. These opportunities are outlined in Figure 18 below:

Opportunity vector	Opportunities
Resource Efficiency - Ensure resource efficiency in buildings and in operations	→ Efficient utilization of office space based on actual usage and flexi working
	→ Increase data storage efficiency by reducing duplicate data
	→ Reduce business travel (pre-covid levels) by leveraging digital collaboration solutions
	→ Become fully digital by transitioning from physical documentation (paper).
	→ Develop organization wide recycling in offices
	→ Pursue sustainable sourcing of vendors
	→ Less commuting for employees who work from the home office
	→ Ensure all company cars are EV
Energy Source - Ensure usage of clean energy sources	→ Ensure renewable energy in offices
Products and Services - Develop climate related/low-emission products, services or goods	→ Enable reusability of consumables (cell phones etc.) via financial services
	→ Offer green deposits, whereby the deposits finance new green financial products (EV and solar panel loans etc.)
	→ Offer a sustainable loyalty program for our credit cards. Appraise customers when making sustainable choices and donate to charities when the credit cards are being used
	→ Offer and expand carbon offsetting to environmental conscious customers
	→ Offer customers CO2 impact calculations based on individual spend
Markets - Access to new markets or assets	→ Support consumers' adoption of EVs, including financial products for home charging points
	→ Continue issuance of green bonds via the latest Green, Social & Sustainability Funding Global Framework adopted across Grupo Santander in February 2022.
	→ Support customers adoption of green home energy solutions (solar panels, geothermal heat etc.)
	→ Expand into the market for alternative mobility solutions by offer financing via SCB
	→ Advise and support partners on sustainability
	→ Expand financing of alternative transportation such as Bicycles/el-bicycles.
Resilience - Advance the adaptive capacity	→ N.A.

Figure 18 – The Group's climate opportunity assessment

Implications of climate-related risks and opportunities on the Group's activities

Value chain component	Strategic implications
Funding	Actively pursue securing sustainable funding through the issuance of green bonds, whereby the bond issuance proceeds are used solely to fund the Group's portfolio of financed electric vehicles. Focus is to increase the scope of green funding sources as a channel to fuel growth in green financing.
Operations	Consistent with the overarching ambition, the Group will ensure that emissions generated from its internal operations are reduced to the extent possible. The Group has already taken steps by securing that all energy supplied to its respective office locations are from renewable sources. Moving ahead, focus will be given to reviewing existing policies relating to flexible working and business travel to ensure these actively reflect the Group's Responsible Banking strategy. A critical success factor for reducing emissions from internal operations is the ability to accurately measure and set targets for consumption – paper, water, and wastage.
Partners & Vendors	Actively collaborate with partners and vendors who demonstrate their commitment to climate action. Short term actions to take include incorporating climate related factors into vendor onboarding processes and into the New Product and Service Process (NPAP). A long-term objective is to actively collaborate with relevant commercial partners to increase climate awareness amongst consumers, influencing their purchasing habits and general approach to consumerism.
Value Offering	Actively leverage the wide array of opportunities in the green consumer finance space that both provide the Group with significant revenue growth potential as well as enabling customers and partners to transition to a low carbon economy. This in turn will support a positive directional trajectory in the Groups GAR.

Figure 19 – Considered impacts of climate risks and opportunities

The implications of climate related risks and opportunities on the Group's activities is best viewed through the lens of the Group's ambition to align its activities and operations to an end-to-end sustainable value. The considered strategic implications can be seen above on Figure 19.

Strategy resilience taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The Group has conducted a scenario analysis based on the identified climate risks identified during workshops conducted in January 2022. The scenarios are descriptions of hypothetical, yet plausible scenarios, and should not be viewed as forecasts.

The first scenario is a combination of 1.5°C and well below 2°C temperature rise, which is based on a set of assumptions including raised climate policy ambitions and coordination, and global climate action commencing in the immediate future and increasing at a gradual pace. The second scenario is a 4°C temperature increase, which can be considered as "business as usual" (BAU) scenario. This scenario assume that economic growth is preferred over climate action and overconsumption of resources continues apace. The scenarios are presented by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), respectively.

Two types of risks have been considered with respect to climate-related risks – physical and transition risks.

Physical risks from climate change can be either acute (event-driven) or chronic (longer-term) and tend to materialize in the medium-to-long term and can have the following financial impacts:

- Reduced revenue owing to transport problems and / or supply chain disruption.
- Lower revenues and/or higher costs relating to employees' health & safety, absenteeism etc.
- Increased credit charges emanating from property / collateral damage in "high-risk" locations.

Transition risks from policymaking, technology, market sentiment changes and reputation in response to climate change can have the following impacts:

- Government policymaking can give rise to higher operating costs and/or reporting obligations.
- Technological advances aiding the transition to low-carbon economy could render systems and financed assets obsolete or of lower value
- Market sentiment can have supply and demand impacts

The research and analysis performed was limited to the geographical area of the Nordic countries given the Group's geographic footprint. The Group has chosen to include the two risks – one transition risk and one physical risk – which are deemed to have the largest potential adverse impact on revenue and thus business viability.

The two scenarios are included in the Appendix to this Report.

Risk Management of climate-related risks

In accordance with the fourth pillar of Grupo Santander's climate strategy (Figure 11), the Group is increasingly seeking to integrate climate related risks into its risk management and associated governance processes at both management and Board level.

Figure 20 below outlines key risk management components included in the Group's Enterprise Wide Risk Management approach within which climate-related aspects are considered, or will be considered moving forward.

Risk Strategy	Climate Risk was incorporated and defined in the Group's Risk Strategy in 2021 and further refined in the Group's Risk Strategy 2022. The 2022 Risk Strategy also incorporated the Group's most recent climate risks and opportunities assessment
Risk Map	Climate risk was incorporated into the Group's risk map in 2021. Approach reviewed for 2022 and climate risk included as a cross risk and assessed as relevant, due to its growing importance
Top Risks	Climate-related risks have been considered through scenario analysis whilst identifying those potential threats that could impact the Group. Climate risks are currently embedded under Top Plausible risks: Automotive Sector Evolution & Increasing regulatory requirements
Risk Profile Assessment	Potential impacts, from both a transitional and a physical perspective, are considered. A qualitative assessment is to be introduced in 2022
Risk Appetite	Climate-related risks under scope through the definition of new risk appetite (RAS) metrics for 2022 & 2023, enhancing and reinforcing the risk appetite control and monitoring framework
Strategic Risk	Climate risk is considered as a driver of strategic risk or business model risk given that climate change can mean a substantial change in the overall market environment of the Group and impact its revenue streams. Climate risk is taken into consideration in all challenge processes (Strategy development, 3-year financial planning, budget, etc.) and key processes (ICAAP, ILAAP, Stress test, etc.)

Figure 20 – Climate-related risk management components

METRICS AND TARGETS

Metrics to assess climate-related risks and opportunities

OPERATIONAL	FINANCIAL
Energy usage	Green book finance
Renewable energy	Other sustainable finance
Commuter travel	EV market share
	Green bonds

Figure 21 – Climate risk metrics employed

The Group has established an initial set of metrics which relate directly to climate risk. These metrics can be used as a vehicle for better assessing the Group's exposure to and impact upon material climate risks.

As the Group continues to progress its maturity in its assessment and measurement of climate risk, it will review, revalidate, and further develop relevant metrics that will serve to assess exposure to and mitigation of climate risks.

Disclosure of Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions

In order to take action to reduce emissions, it is necessary to understand and measure where in an organization's business model these originate from. Emissions are typically referred to as scope 1, 2 and 3, as defined by the Greenhouse Gas Protocol, the world's most widely used greenhouse gas accounting standard.

For banks and other financial institutions, the bulk of emissions are typically to be found in scope 3, relating to the emissions generated by its financing activities. This is no different for the Group. However, scope 3 emissions are the most challenging to measure as they relate to the environmental impact of the object/activity financed and the inherent challenges in gaining sufficient insight into these and their effects. The Group's Scope 1 (direct emissions from company activities) and scope 2 (indirect emissions from company's consumption) are mainly generated by company facilities such as electricity usage and where these are sourced from.

The Group is at an early stage in its emissions reporting journey but is ramping up activities and capabilities to expand its reporting for Scope 1, 2 and 3 emissions. Current emissions coverage is detailed in Figure 22 below.

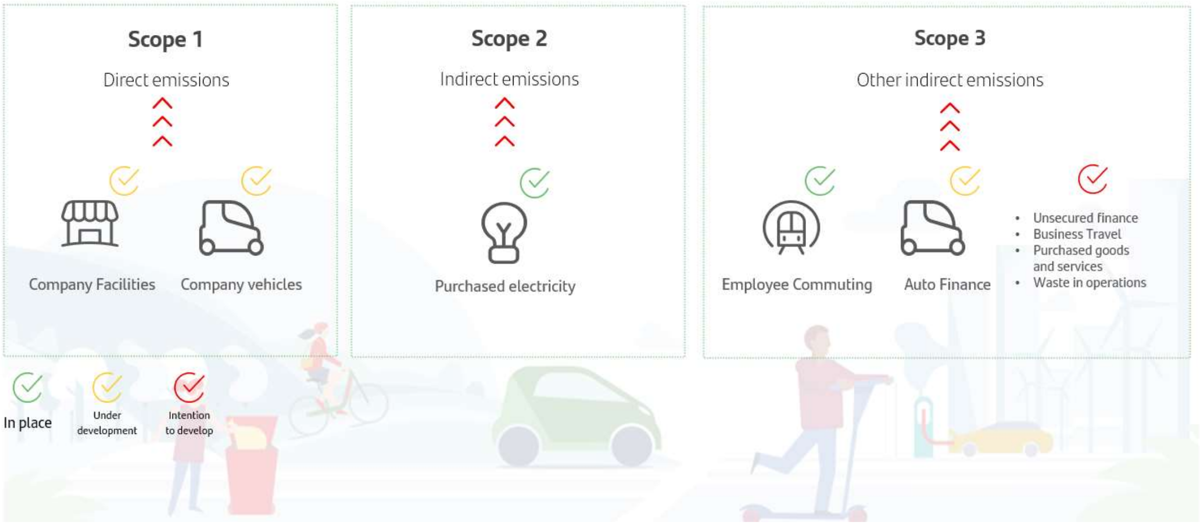


Figure 22 – The Group's current emissions data coverage

The Group is committed to improving its provision of emissions data. This will include backtracking historical data and ensuring reliability of the data through improved processes and systems for gathering and processing emissions data. Scope 1 emissions – are currently subject to a general review across the region. Scope 2 emissions - electricity supplied to office locations – represents a key scope 2 emissions source and in 2021, electricity to Group office was accessed from 100% renewable sources. Emissions relating to business travel, purchased goods and services, waste and paper usage are, similar to Scope 1 emissions, undergoing a general review across the Group's operations. In light of the ensuing COVID-19 situation and related travel restrictions, it is anticipated that emissions from business travel in 2021 were not significant

Scope 3 emissions represents the bulk of the Group's emissions. The Group continues its work to develop its Green Asset Ratio (GAR) reporting in relation to its auto financing portfolio reporting. This will greatly advance the Group's overall emissions coverage. In this regard, moving forward, the Group's auto portfolio emissions data will be sourced from a single Nordic vendor, which is anticipated will improve data coverage and accuracy.

Based on its current emissions coverage, the Group's estimated emissions for 2021 are outlined in Figure 23 below:

Scope 1	Scope 2	Scope 3
~	Electricity (offices) 31,9 tCO2e[2]	Staff commuting to office location 47,4 tCO2e

Figure 23 – Group emissions data 2021

[2] tCO2e = Tonnes of CO2 equivalents

Metrics and targets used to manage climate-related risks and opportunities

As part of its annual 3-year financial planning exercise and in support of Grupo's Net Zero by 2050 ambitions, the Group sets medium-term targets across certain specific metrics – as outlined in Figure 24 below:

CLIMATE RELATED METRICS							
Metric	**Definition**	**Unit**	**Source**	**2021A**	**Targets**		
					2022	**2023**	**2024**
Electricity usage	Overall energy consumption, in kWh, consumed in the Group's internal operations	kWh	Supplier invoices / estimates	2 180 416	2 649 571	2 649 571	2 649 571
Renewable energy	Of the electricity consumed in office locations, percentage derived from renewable sources	%	Supplier/Office Landlord	100%	100%	100%	100%
FINANCIAL METRICS							
Green Book	Green finance New Business Volumes within products and services with specific green terms & conditions as per SFCS classification	MM EUR	Internal systems	n/a	28	38	38
Other Green Finance	Green finance New Business Volumes within products and services without specific green terms & conditions as per SFCS classification	MM EUR	Internal systems	1 103	1 120	1 520	2 120
Green bonds	Green bonds issuance size	MM EUR	Internal systems	248	200	150	200
EV market share	Percentage of new EV cars sales financed in relation to overall Nordic EV sales	%	Internal systems & Market data feeds	14,7	N/A	N/A	N/A

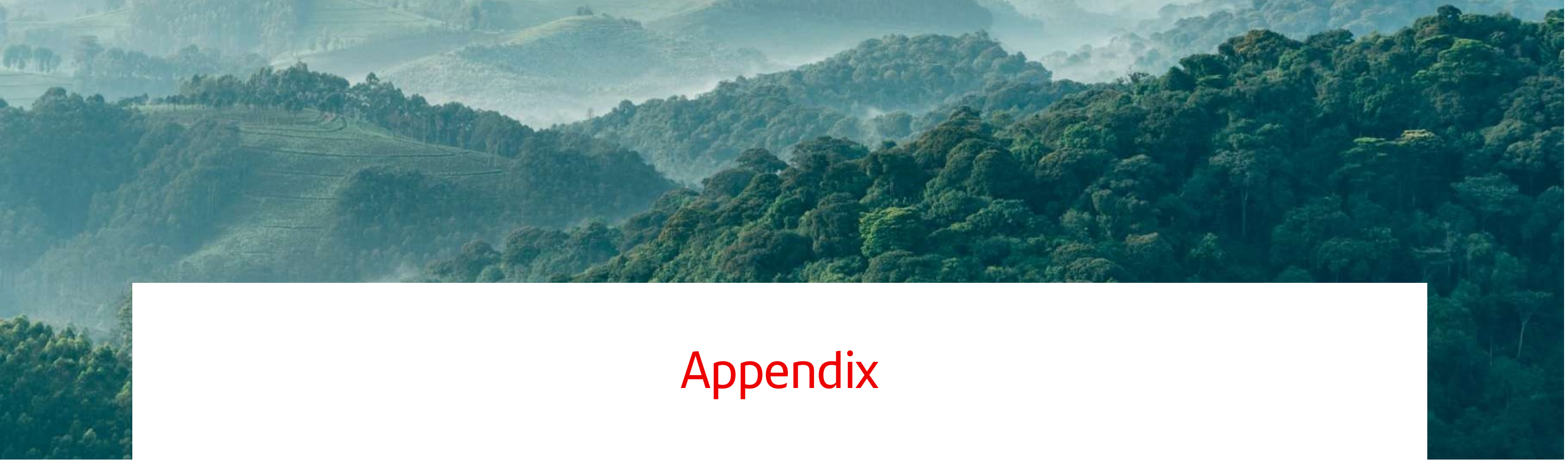
Figure 24 – Climate related metrics

Signing of the sustainability report

Sustainability report signed on behalf of Santander Consumer Bank AS:

13th September 2022

Peter Sjöberg
Chief Operating Officer



Appendix

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Climate scenario 40

Assurance opinion 41

GRI Index (2016 standards)

1. **Organizational Profile**	**Location**	**Notes**
Disclosure 102-1 Name of the organization	AR: p49	
Disclosure 102-2 Activities, brands, products, and services	AR: p9-15	
Disclosure 102-3 Location of headquarters	AR: p49	
Disclosure 102-4 Location of operations	AR p49	
Disclosure 102-5 Ownership and legal form	AR: p49	
Disclosure 102-6 Markets served	AR: p49	
Disclosure 102-7 Scale of the organization	AR: p7, p40-41	
Disclosure 102-8 Information on employees and other workers	AR:p 124	
Disclosure 102-9 Supply chain	SR:30	
Disclosure 102-10 Significant changes to the organization and its supply chain	See note	No significant changes to the organization and its supply chain have been done during the reporting period.
Disclosure 102-11 Precautionary Principle or approach	SR: p25,p27,p30	
Disclosure 102-12 External initiatives	SR: p4-5, p15	
Disclosure 102-13 Membership of associations	SR: p4	
2. **Strategy**		
Disclosure 102-14 Statement from senior decision-maker	AR: p2, SR: p3	
3. **Ethics & Integrity**		
Disclosure 102-16 Values, principles, standards, and norms of behavior	SR:p13, p15-21	
4. **Governance**		
Disclosure 102-18 Governance structure	SR: p25-26	
5. **Stakeholder Engagement**		
Disclosure 102-40 List of stakeholder groups	SR:p10-12	
Disclosure 102-41 Collective bargaining agreements	AR:p118-122	
Disclosure 102-42 Identifying and selecting stakeholders	SR:p10-12	
Disclosure 102-43 Approach to stakeholder engagement	SR:p10-12	
Disclosure 102-44 Key topics and concerns raised	SR:p10-12	
6. **Reporting Practice**		
Disclosure 102-45 Entities included in the consolidated financial statements	AR:p49	
Disclosure 102-46 Defining report content and topic Boundaries	SR:p10	
Disclosure 102-47 List of material topics	SR:p10-11	
Disclosure 102-48 Restatements of information	See note	Since this is the first sustainability report produced by the Group, no restatements are provided in this report.
Disclosure 102-49 Changes in reporting	See note	No changes in reporting are conducted for this report.
Disclosure 102-50 Reporting period	AR:p49	
Disclosure 102-51 Date of most recent report	AR:p49	
Disclosure 102-52 Reporting cycle	AR:p49	

Disclosure 102-53 Contact point for questions regarding the report	SR:p39	
Disclosure 102-54 Claims of reporting in accordance with the GRI Standards	SR:p10	
Disclosure 102-55 GRI content index	SR:p36	
Disclosure 102-56 External assurance ***Material Topics*** **Green Finance**	SR:p38	
Disclosure 103-1 Explanation of the material topic and its boundaries	SR:p11	
Disclosure 103-2 The management approach and its components	SR:p11-12	
Disclosure 103-3 Evaluation of the management approach	SR:p11,p13,p17	
Disclosure 201-1 Direct economic value generated and distributed	SR: p11-15	
Disclosure 201-2 Financial implications and other risks and opportunities due to climate change	SR: p27-28	
Disclosure 203-1 Infrastructure investments and services supported	SR: p11-15	
Financial Inclusion & Education		
Disclosure 103-1 Explanation of the material topic and its boundaries	SR:p20	
Disclosure 103-2 The management approach and its components	SR:p20-21	
Disclosure 103-3 Evaluation of the management approach	SR:p20-21	
Responsible Lending		
Disclosure 103-1 Explanation of the material topic and its boundaries	SR:p10,p16-19	
Disclosure 103-2 The management approach and its components	SR:p16-19	
Disclosure 103-3 Evaluation of the management approach	SR:p16-19	
Non performing loans (NPL)	SR:p18	Within the Group's operating model, there exists several risk indicators and customer feedback metrics that provide a good proxy for the Group's performance in this material topic. One of these are "Non performing loans" where maintaining NPLs at levels that compare favorably with other market participants gives an indication that Group's underwriting processes are robust, reflect customer affordability and does not put undue pressure on customers' household finances.
Number of complaints	SR:p18	A good proxy for the Group's performance in this material topic is the KPI "number of complaints" which is strongly linked to conduct risk and demonstrates the relative number of complaints the Group receives from its customers.
Customer Experience & Satisfaction		
Disclosure 103-1 Explanation of the material topic and its boundaries	SR:p10, p22-24	

Disclosure 103-2 The management approach and its components	SR:p22-24	
Disclosure 103-3 Evaluation of the management approach	SR:p22-24	
Net promoter score (NPS)	SR: p23-24	The Group introduced "Net promoter score" as a KPI during 2021 which is a well-established KPI in the industry to measure customer experience & satisfaction.

"AR" - Santander Consumer Bank AS Annual Report 2021. "SR" - Santander Consumer Bank AS Sustainability Report 2021

Climate Scenario

Scenario narratives	Narrative well-below 2°C & 1.5°C (RCP 2.6/SSP1-2.6, IEA SDS & NZE)	Narrative 4°C (RCP 8.5/SSP5-8.5 & BAU)
	Market risk	**Physical risk**
Country assumptions	Full implementation of the Green New Deal, updated to NDCs and 2030 Climate and Energy Framework, reducing GHG emission to 55% below 1990 levels. A long-term strategy for climate neutrality by 2050.	Norway, Sweden, Denmark, and Finland have four of the five highest scores on the ND-GAIN Index. The score calculates the vulnerability to climate change and other global challenges as well as the readiness to improve their resilience for all countries.
Main outcomes	More stringent regulations which will impact the Group directly when the world transitions to a lower-emission economy.	Higher temperatures would lead to more frequent acute extreme events and chronic weather patterns. This would likely affect customers and their ability to meet their financial obligations.
Main impacts on business	Customers would demand differentiated and lower pricing for "green assets" purchases - for example EVs - which would likely impact the Group financially. Assumed vehicle dynamics: Norway: No sales of new internal combustion engine (ICE) vehicles by 2025 and focus on electric and hydrogen vehicles Finland 250 000 new EV sales by 2030 Sweden: 80% new electric or hybrid vehicles by 2030 Finland: 775 000 new EVs and hybrids by 2030	The 4°C business-as-usual scenario would result in increasing physical risks due to lack of coordinated policies and overconsumption. → Sea-level rise: Most coastal areas in the Nordics will experience a rise in sea level. For example, a NASA tool projects a sea level rise to be 0.20 meters on the south coast of Sweden. → Heavy rainfall and precipitation: Increase in precipitation and heavy rainfall will happen in all the Nordic countries. The northern regions will be more exposed than the southern regions. The winters will experience the highest increase in precipitation. This will lead to flooding in exposed areas, which will affect customers and vendors. → Flooding: Locations near rivers make flooding an acute risk. This will affect both vendors and customers during compound flooding and river floods.

To the Board of Directors in Santander Consumer Bank AS

Independent statement regarding Santander Consumer Bank AS' sustainability reporting

We have examined whether Santander Consumer Bank AS has prepared a GRI Index for 2021 and measurements and reporting of key performance indicators for sustainability (sustainability reporting) for the year ending 31 December 2021.

> Santander Consumer Bank AS' GRI index for 2021 is an overview of which sustainability topics Santander Consumer Bank AS considers material to its business and which key performance indicators Santander Consumer Bank AS uses to measure and report its sustainability performance, together with a reference to where material sustainability information is reported. Santander Consumer Bank AS' GRI Index for 2021 is available and included in Santander Consumer Bank AS' report for the period ending 31 December 2021. We have examined whether Santander Consumer Bank AS has developed a GRI Index for 2021 and whether mandatory disclosures are presented according to the Standards published by the Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
>
> Key performance indicators for sustainability are tables that show indicators of sustainability that Santander Consumer Bank AS measure and control. The tables are available and included in Santander Consumer Bank AS' sustainability report for the period ending 31 December 2021, specifically in the figures «Figure 12 – Green finance measures», «Figure 13 – The Group's EV financing in 2021», «Figure 14 – Green home energy solutions and bicycles/e-bicycles financing in 2021», "number of complaints", "non-performing loans", «Figure 23 – Group emissions data 2021 and "Figure 24 – Climate related metrics". Santander Consumer Bank AS has defined the key figures and explained how they are measured in notes to the tables that are available and included in the sustainability report (criteria). We have examined the basis for the measurements and checked the calculations of the measurements.

Management's responsibility

Management is responsible for Santander Consumer Bank AS' sustainability reporting and for ensuring that it is prepared in accordance with criteria as described above. The responsibility includes designing, implementing and maintaining an internal control that ensures the development and reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with the law and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our ethical obligations in accordance with these requirements. We use ISQC 1 - Quality control for audit firms that perform audits and simplified audit of accounts as well as other certification assignments and related services and maintain a comprehensive system of quality control including documented guidelines and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory claim.

Auditor's tasks and duties

Our task is to express a limited assurance conclusion on Santander Consumer Bank AS' sustainability reporting based on our control. We have performed our checks and issue our opinion in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information". A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our work involves performing actions to obtain evidence that Santander Consumer Bank AS' GRI Index for 2021 and key performance indicators for sustainability are developed in accordance with the Standards published by the Global Reporting Initiative and the criteria for reporting and measurement that are explained in relation to each individual table of key performance indicators. The procedures selected depend on our judgment, including assessments of the risks that the sustainability reporting contains material misstatement, whether due to fraud or error. In making those risk assessments, we take into account the internal control that is relevant for the preparation of the sustainability reporting. The purpose is to design control procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control.

Our procedures include an assessment of whether the criteria used are appropriate, as well as an assessment of the overall presentation of the sustainability reporting. Our procedures include meetings with representatives from Santander Consumer Bank AS who are responsible for the material sustainability topics covered by the sustainability reporting; review of internal control and routines for reporting key performance indicators for sustainability; obtaining and reviewing relevant information that supports the preparation of key performance indicators for sustainability; assessment of completeness and accuracy of the sustainability reporting; and controlling the calculations of key performance indicators for sustainability based on an assessment of the risk of error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

> Santander Consumer Bank AS' GRI Index for 2021 is not, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative;
>
> Santander Consumer Bank AS' key performance indicators are not, in all material aspects, developed, measured and reported in accordance with the definitions and explanations provided in relation to each table containing the key performance indicators.

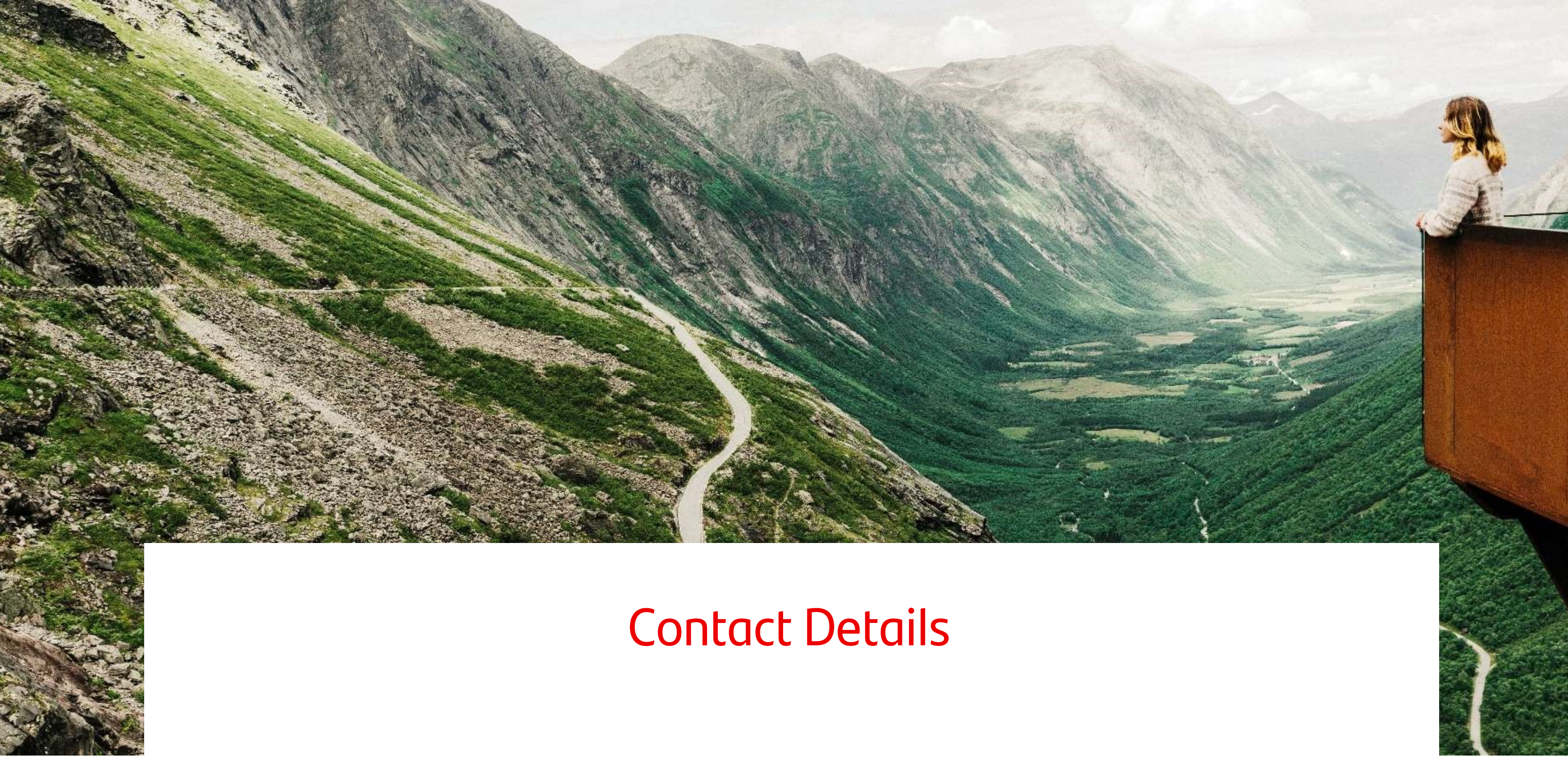
Oslo, 13th September 2022
PricewaterhouseCoopers AS

Erik Andersen
State Authorized Public Accountant

Limited audit statement - Sustainability Report

Signers:

Name	*Method*	*Date*
Andersen, Erik	BANKID_MOBILE	2022-09-13 09:47



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Santander
Consumer Bank