

MINING & METALS SECTOR

General Policy

Santander Group

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1 INTRODUCTION

1.1 Purpose and context

The purpose of this policy is to set out Santander's criteria for the Mining & Metals sector.

The mining and metals sector contributes to the industrial and economic development of society by extracting and processing minerals that are necessary for many of our basic needs. The sector encompasses activities as diverse as the exploration for, and mining of, minerals such as coal or iron, to the complex industrial processes required to extract and process ore and produce metals such as steel.

This sector is currently facing a number of environmental challenges, such as obtaining ore in remote areas, extraction from greater depths, ever lower concentration of ore in rock samples and high consumption of energy and scarce natural resources such as water. It also faces social problems such as the involuntary displacement of the local and/or indigenous population, and the health, safety and human rights of the workers who carry out the activity. Mining and metals activity is also increasingly present in developing countries with less developed legislation which, in the transition process to an economy with a lower carbon footprint, identifies this as one of the sectors that most contributes to climate change risk.

In the search for more environmentally friendly solutions, the industry aims to reduce the consumption of natural resources through measures such as recycling and the development of a circular economy. However, the current dependency on the extraction and processing of new metals and minerals from the soil and subsoil continues to be high and therefore involves significant environmental and social impacts.

The Santander Group promotes the protection, conservation and recovery of the environment through sustainable activities. When analysing financial products and/or services for customers and projects in the mining and metals sector, the Santander Group gives consideration to the social and environmental risks that may arise through the activities it is supporting.

This document develops the general corporate risk framework and the general Compliance & Conduct Corporate Framework. This policy is aligned to, and must be applied in conjunction with, Santander Group's Sustainability Policy.

1.2 Regulatory references

This policy takes into account best practices, international standards and treaties, such as:

- The United Nations Global Compact, the Universal Declaration of Human Rights; the International Labour Organization Declaration; the Convention on the Rights of the Child; the Rio Declaration on Environment and the United Nations Convention against Corruption.
- The standards for social and environmental performance and the explanatory notes of the International Finance Corporation as well as the Guidelines on Environment, Health and Safety in the Mining Sector (IFC).
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas.

- The *Kimberley* process¹ in the mining and trade of diamonds.
- International Cyanide Management Code for the Manufacture, Transport, and Use of Cyanide in the Production of Gold.
- Ramsar Sites², World Heritage Sites, or areas classified by the International Union for Conservation of Nature (IUCN) as categories I, II, III or IV³.
- The Equator Principles.

1.3 Definition

This document sets out Santander Group's policy on providing financial products and/or services to customers involved in the following activities:

- Mining activities:
 - Prospecting and mining research.
 - Mining development and exploitation.
 - Restoration and recovery of the exploited natural space.
- Metallurgical activity:
 - Processing of ores to extract the metal they contain.
 - Production of alloys from ingots
 - Processing of by-products: scree, gangue, slag and sand.

For the purpose of this policy, financial products and/or services are defined as: transactions giving rise to credit risk, insurance, asset management, equity and advisory services.

The prohibited activities in Section 2 of this policy apply across all Santander Group units and businesses.

Assessments of the relevant environmental and social risk impacts will be required for Santander Corporate and Investment Banking customers. This assessment shall be more detailed when providing financial products and/or services to the restricted activity subsectors set out in Section 2.

¹ The Kimberley Process Certification Scheme (KPCS) is the process established in 2003 by the UN General Assembly to prevent "conflict diamonds" that may be used to finance war or human rights abuses, from entering the mainstream rough diamond market.

² The Convention on Wetlands, called the Ramsar Convention, is the intergovernmental treaty that provides the framework for the conservation and wise use of wetlands and their resources.

³ The International Union for Conservation of Nature (IUCN) classifies protected areas according to their environmental management objectives: Category I: Nature Reserve And Wilderness Areas, Category II: National Park, Category III: Natural Monument or Feature, Category IV: Habitat/Species Management Area

1.4 Scope

This policy applies across the corporation and, in so far as it reflects best practices, is considered a reference document that may be used as a guide for other units in the development of the subject area in question. Group units are expected to use it as a basis for developing their own regulations, without prejudice to any adaptation that may be required for compliance with local regulations and the recommendations or requirements of their supervisory authorities, among other reasons.

The regulations transposing this policy must be validated at corporate level before being approved by the entity involved. The regulations which are valid on the date that this policy comes into force must be adapted to it.

2 APPLICATION CRITERIA

2.1 Prohibited activities

Santander Group will not provide financial products and/or services to any of the following activities:

- Extraction, processing and marketing of asbestos;
- Extraction and marketing of rough diamonds from producer countries involved in war conflicts, or not certified by the Kimberley process;
- Mining activities relating to the so-called "conflict minerals"⁴ which are extracted from conflict areas, which are not included in the corresponding certification processes;
- Those activities that violate the United Nations Guiding Principles on Business and Human Rights laid down in Santander Group's Human Rights Policy;
- Mining activities without a specific treatment to avoid tailings disposal in riverine or shallow sea environments (as tailings dam);
- Any new thermal coal mine projects worldwide;
- New clients with thermal coal mine projects worldwide;
- Projects or activities in areas classified as Ramsar Sites, World Heritage Sites or by the International Union for Conservation of Nature (IUCN) as categories I, II, III or IV.

2.2 Restricted activities:

When providing financial products and/or services, Santander Group will pay particular attention to⁵ the environmental and social risks arising from the following activities:

- Precious minerals and metals.
- Uranium⁶.
- Mining activities with tailing dams.

⁴ See Annex: Definitions for each type of activity

⁵ Please refer to section 1.3

⁶ Must also meet the criteria included in the Defense policy.

- Those activities involving the removal of mountain tops.
- Any other activities that involve the resettlement of indigenous people and/or other vulnerable groups without their prior free and informed consent.

3 GOVERNANCE AND DELEGATED AUTHORITIES

Environmental and social risk analysis is carried out in accordance with established procedures.

This analysis must be integrated into the credit risk workflow, and it is the responsibility of the credit risk approver (committee or individual authorizer) to ensure that decisions are made taking into account the environmental and social risks and the criteria defined in this policy.

4 GOVERNANCE OF THE POLICY

4.1 Ownership of the policy

The Environmental and Social Risk Management (ESRM) function is responsible for drawing up this policy.

The owner of this policy is the Board of Directors of Banco Santander, S.A. Prior to approval, the policy was reviewed by the risk control committee and the responsible banking, sustainability and culture committee.

4.2 Interpretation

The Environmental and Social Risk Management (ESRM) function is responsible for interpreting this policy.

4.3 Effective date and review of the policy

This policy will come into force on the date it is published. Its contents will be reviewed on a regular basis, and any changes or modifications considered appropriate will be made.

5 ANNEX: DEFINITIONS FOR EACH TYPE OF ACTIVITY

- The following are considered mining activities:
 - **Mining prospecting:** includes all preliminary activities undertaken to identify deposits of economic interest (these activities are neither intrusive nor aggressive).
 - **Mining research:** any activity required to establish the mineral resources available in a deposit (intrusive and aggressive activities are required).
 - **Mining development:** includes engineering activities, obtaining licences, concessions and the construction of facilities.
 - **Mining exploitation:** any activity required for the extraction of metallic or non-metallic minerals or fossil fuels.
- Minerals are classified by their characteristics:
 - **Metallic:** Ferrous (iron, manganese, molybdenum, tungsten), Basic (copper, lead, zinc, tin), Precious metals (gold, silver, platinum), Radioactive (Uranium, and other compound minerals such as Coltan, Wolframite, and Cassiterite as well as their derivatives (Tin, Tungsten, and Tantalum), defined as "**conflict minerals**" when they originate from areas of conflict and high risk and do not comply with OECD Due Diligence Guidelines.
 - **Non-metallic minerals** are classified by their end use: Industrial (Phosphate, Potash, Halite, Sulphur and Magnesite) and civil works (gravels, sands, gypsum, ornamental rocks).
 - **Fossil fuels:** coal, petroleum and gas
- Mineral processing will be carried out by:
 - Physically reducing the size of the mineral (crushing, grinding and screening).
 - Amalgamation for gold and silver using mercury.
 - Pyrometallurgy (heat treatment): smelting and refining processes (lead, iron, copper, precious metals) and others such as calcination, roasting, and liquation.
 - Hydrometallurgy (using water and chemical solutions): mineral flotation process, leaching (oxidized and sulphurised ores, copper...), cyanidation (dissolving gold and silver with cyanide solutions).
 - Electrometallurgy (electrical process): electroplating or extraction using solvents and the Hall Héroult process.