

## Four Ways the SanUS Climate Risk Team Helps Protect our Environment and our Portfolio



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Santander Group Executive Chairman **Ana Botín** refers to climate change as the greatest challenge we face—a global emergency that we are addressing with a comprehensive plan for all of the Group’s operations across the world to be net zero in carbon emissions by 2050. The leaders of the Santander US Climate Risk Team—**Patricia Neumann**, Head of SHUSA Enterprise Risk Management (ERM) and **Jenny Su**, ERM Director—shared four ways that SanUS supports this goal.

### 1. Identifying, Assessing, and Managing Climate Change-Related Risk

When we discuss Climate-related risks, we define it in two categories: physical risk—those that result from direct physical effects of climate change, such as severe weather and climate change over time—and transition risks—those that develop from the transition to a low-carbon economy, such as policy action and regulations.

Both can adversely impact banks’ strategy, risk management and profitability, therefore impacting the banking industry’s stability. Given Europe’s existing regulatory landscape and anticipating final US interagency banking regulation on climate risk, SanUS created a dedicated Climate Risk Team in 2022.

We leverage Group’s framework to integrate climate risk in our risk management processes. For example, climate change-related risk factors are now considered in both SHUSA’s New Products and Business Activities (NPBA) risk assessment—criteria by which we evaluate and manage the risks associated with new product or service, significantly modified product or service, expanded, new/significant change to business activities for process—and the credit risk assessment within Corporate & Investment Banking’s (CIB) portfolio. Additionally, climate risk considerations have been incorporated into the SanUS credit and reputational risk policy.

### 2. Cross-Functional Team Working Collaboratively

A cross-functional team has been formed to respond to the increasing demand from Group and regulatory agencies. Representatives from ESG, the First Line of Defense, Second Line Risk teams, Finance, and other functions are working together to identify, analyze, monitor and mitigate risks.

San US conducts quarterly climate materiality assessments to identify, assess, and monitor portfolio segments mostly impacted by physical and transition risk. We use a Group tool—

Klima—to focus on those portfolios most vulnerable to climate risk based on a sectoral approach. Santander US continues to make progress in order to manage climate change-related physical and transition risk.

### **3. Leaning on Experience**

Climate risk is a focus for most financial services companies in the US. SanUS and our peers face similar challenges in managing climate risk: availability and reliability of data, evolving regulatory requirements, siloed local laws and political divide among states, and increasing frequency and severity of extreme weather events (acute physical risk) impacting both our clients' and SanUS' physical assets.

Despite uncertainties, we continue to make progress in building our climate risk management capabilities and supporting SanUS' clients in navigating their own green transition. Long before climate change dominated news coverage, Santander Group has been featured in the Dow Jones Sustainability Index for more than 20 years and has been a leading bank in renewable energy finance, ranking among the top three in the world in number of transactions for the past decade.

This track record—and the progress we continue to make—give us the confidence that SanUS plays an important role to effectively manage climate risk and support Group's sustainability objectives.

### **4. A Balanced Approach**

Our team and our business partners are committed to meeting the financial needs of our clients' business operations while maintaining a strong risk control environment and supporting inclusive, sustainable growth.

By actively engaging with our clients and coming to understand their needs, we are making progress to assess SanUS risks and develop strategies to mitigate them. The Climate Risk team engages with stakeholders across the three lines of defense and works closely with ESG, Finance, Data Governance, and other risk stripes (e.g., Credit Risk, Operational Risk) in this effort.

The CIB and Wealth Management businesses have established dedicated US ESG Solutions teams to support their clients' efforts to reduce carbon emissions. These teams are developing product and financing solutions tailored to our clients, based on their specific industries, geographies and market sectors.

*In the Santander US 2022 Prosperity with Purpose Report, its annual Environmental, Social and Governance report, read more about our efforts to help advance sustainability in our communities.*