



Environmental, Social and Governance Update Half Year 2021



Environmental, Social and Governance half-year update

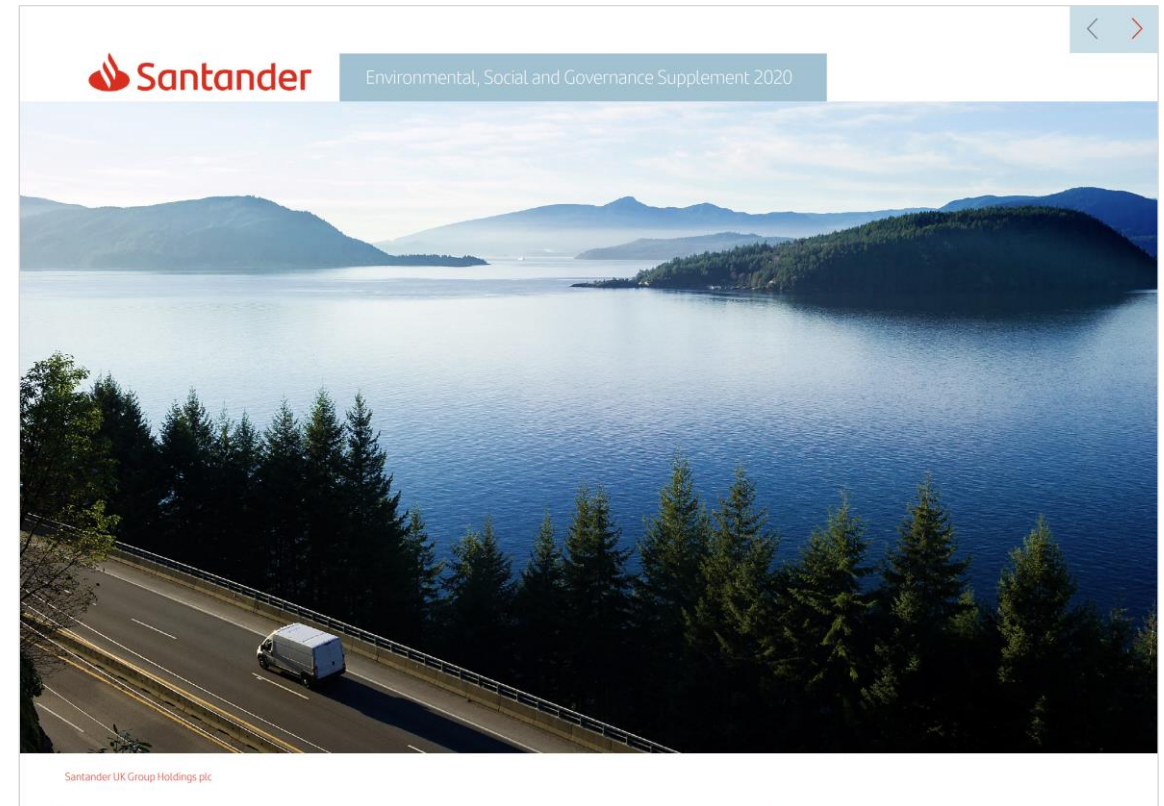
This is a Environmental, Social and Governance (ESG) half-year update for Santander UK. We refer to 'ESG' or 'Sustainability' as synonyms to mean our approach to responsible banking.

Our aim is to support greater transparency and respond to increased interest from key stakeholders, providing an update on our strategy and performance, as well as focusing in more detail on a priority area, which in this publication is our approach to climate. This is our first year releasing a half-year update alongside which complements our main financial reporting, and we will continue to seek feedback from our stakeholders to build on our reporting going forward.

Our main focus for disclosure continues to be through our annual reporting suite, including the [ESG Supplement](#) and Strategic Report, as well as our [website](#).

For more on what Santander as a Group is doing, please see our [Banco Santander website](#) and reports.

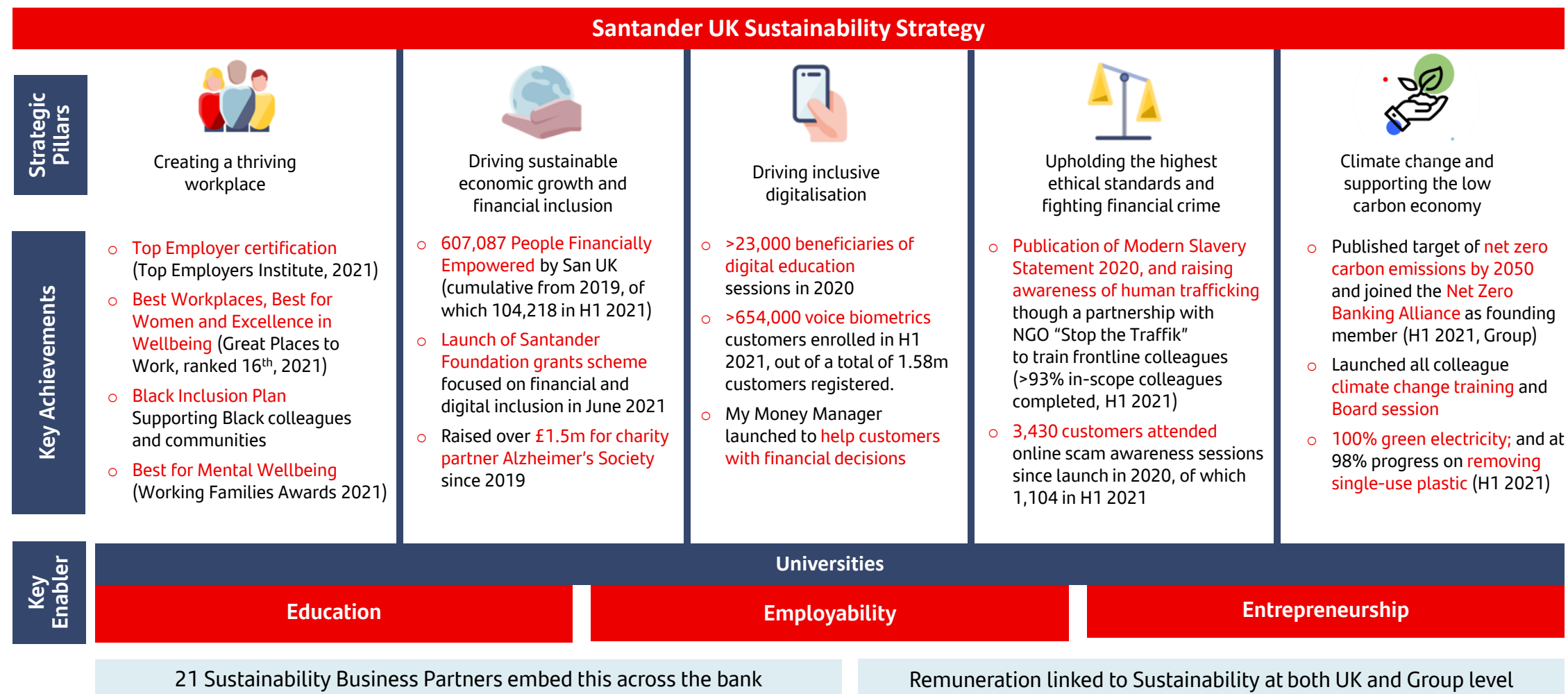
Please note, half-year figures are not audited.



Strategy update

Sustainability strategy and highlights

We're progressing against our Sustainability strategy and delivering on our ambition to be a responsible bank



Medium-term priorities where we have raised our level of ambition

While we deliver against our broader strategy we have raised our ambition in **3** priority areas in the medium-term

1

Climate Change

- Our **ambition** is to become net zero across the Group by 2050, supported by our first decarbonisation targets
- Santander UK has set a climate **strategy** closely aligned with Group
- We **report progress** in our TCFD disclosure and in Santander's Climate Finance Report

2

Financial Inclusion

- Our **ambition** is to be a financially inclusive organisation, and Santander UK is developing a **financial inclusion strategy** to achieve this, bringing together financial education, inclusive products and services by design and customer care
- We contribute to Santander Group's key target for financial inclusion (**People Financially Empowered**)

3

Diversity, Inclusion and Belonging

- Our ambition is to embed a **culture of belonging** where colleagues can bring their true selves to work each day
- We commit to building a **diverse senior leadership** reflective of our communities, alongside taking action on **disability inclusion**
- We aim to be a champion for **social mobility** through our work in emerging talent, universities and communities

Progress against Group-wide Responsible Banking commitments

Santander UK supports Group targets on Environmental, Social & Governance performance

		Banco Santander						San UK performance
		2018	2019	2020	2021 H1	2021 targets	2025	H1 2021
E	Green finance raised and facilitated ⁽⁵⁾ (euros)	19 bn 33.8 bn 41.7 bn 120 bn						£3.3bn ⁽⁹⁾
	Electricity used from renewable energy sources ⁽⁶⁾	43%	50%	57%	74%	60%	100%	100%
	Becoming carbon neutral in our own operations	0% 0% (achieved)						0%
	Reduction of unnecessary single use plastic in corporate buildings and branches		75%	98%	98%	100%		>98%
S	Top 10 company to work for ⁽¹⁾	4	5	6	5	6		16
	Women in senior leadership positions ⁽²⁾	20%	23%	23.7%	25.1%	30%		24.3%
	Equal pay gap ⁽³⁾	3%	2%	1.5%	1.5%	~0%		0%
	Financially empowered people ⁽⁴⁾	2.0 mn 4.9 mn 6 mn 10 mn						607,087
	Scholarships, internships & entrepreneurs programmes ⁽⁷⁾	69 k 225 k 278 k 325 k						29,046
	People helped through our community programmes ⁽⁸⁾	1.6 mn 4.0 mn 4.8 mn 4 mn						15,691 ⁽¹⁰⁾
G	Women on the Board	33	40%	40%	40%	40%-60%		28.6% ⁽¹¹⁾

Notes on metrics:

- (1) According to relevant external indexes in each country (Great Place to Work, Merco, etc.)
- (2) Senior positions represent 1% of total workforce
- (3) Calculation of equal pay gap compares employees of the same job, level and function
- (4) People (unbanked, underbanked or financially vulnerable), who are given access to the financial system, receive tailored finance and increase their knowledge and resilience through financial education
- (5) Includes Santander overall contribution to green finance: project finance, syndicated loans, green bonds, capital finance, export finance, advisory, structuring and other products to help our clients in the transition to a low carbon economy. Commitment from 2019 to 2030 is EUR 220 bn
- (6) In those countries where it is possible to certify renewable sourced electricity for the properties occupied by the Group
- (7) People supported through Santander Universities initiative (students who receive a Santander scholarship, achieve an internship or participate in entrepreneurship programmes supported by the bank)
- (8) People helped through our community investment programmes (excluded Santander Universities and financial education initiatives)

Notes on UK results:

- (9) In 2020 and 2019 UK figures only considered renewable energy financing from CIB and CCB
- (10) UK data only for H12021
- (11) As of 31 December 2020. Women on the Board metric reported annually


 From...To... Cumulative target

H1 Progress update - Climate

UK Climate strategy focuses on 3 areas and aligns with Group priorities

Ambition

Achieve net zero carbon emissions across the group by 2050

Strategic focus areas

1. Managing Climate Risks

- **Integrate climate considerations** into risk management frameworks
- **Screen and stress testing our portfolio** to identify sector-specific 'transition' and 'physical' climate-related financial risks
- **Measure portfolio alignment and set risk appetites** to help steer portfolio in line with the Paris Agreement

2. Supporting Customers

- **Support green customers** to grow and succeed
- Develop **customer / client, sector and segment strategies** to support and accelerate the **transition to a zero carbon economy**:
 - Create green products and services
 - Develop customer engagement plans
 - Ensure strategies are inclusive and avoid social unintended consequences

3. Reducing Emissions in our Operations

- Review **internal policies to consider climate**
- Continuous improvement of ISO certified **environmental and energy management systems**
- **Offset residual CO₂ emissions**
- **Engage employees** through the 'green champions' network to create a strong **culture**
- Procure **100% green electricity**

Enablers

1. Governance & Policies
2. Targets & KPIs
3. Stakeholder Management
4. Competencies & Skills
5. Public policy, Communication & Brand
6. External Partnerships
7. Reporting & Disclosures
8. Pricing and/or Rewards

2021 deliverables and progress to date against climate strategy and enablers

	Progress to date (H121)	2021 Deliverables
Managing climate risks	- Developed the Target Operating Model and completed “dry run” of BoE Climate Stress Test (CBES) with extensive engagement across the bank. Started the engagement with ~230 larger clients as part of CBES Integrated climate change into SanUK risk management framework - Developed a qualitative risk appetite statement	- Further embed climate in the second line of defence processes Prepare and execute the CBES (Sep’21). - Set quantitative risk appetite informed by CBES outputs Measure the financed emissions and portfolio temperature alignment with net zero, for Santander UK priority sectors
Supporting customers	- Launched Energy Fact Report to mortgage customers, in collaboration with Green Finance Institute - Santander Consumer Finance carbon offsetting service for SCUK customers - Developed client questionnaire to enable colleagues to engage with customers on climate	- Complete Retail pilot of ‘CoGo’ to auto calculate customers carbon footprint and improve consumer spend behaviour - Raising our focus on renewables sector with corporate clients Further strengthen our internal governance on sustainable finance to ensure a credible approach in line with industry best practice
Reducing emissions in operations	Amended reporting in accordance with Streamlined Energy and Carbon Reporting (SECR) requirements and Greenhouse Gas (GHG) Protocol - Developed roadmap to transition company car policy to full electric - Developed Climate Change Action Plan for SanUK Pension Scheme and liquidity portfolios	- Review and update Dow Jones Sustainability Index objectives and targets for 2022-2024. - Review carbon offsetting projects for carbon neutrality status - Review carbon impacts of working from home
Enablers	- Established climate governance framework with Board oversight, new Climate Leadership Group Co-Chaired by CRO and Head of CCB, and working groups aligned to 3 strategic areas - Joined key industry initiatives, including Santander Group joining the UN Net Zero Banking Alliance which commits us to aligning lending and investment portfolios with net-zero emissions by 2050.	- Define mid-to-long term commitments and targets for climate - Participate in COP26 and related initiatives. - Collaborate with leading thinktank to undertake and publish a research project to identify the UK response needed to achieve a more energy efficient home market.

Supporting customers to transition

As a bank, we have a crucial role to support our customers in transitioning to a low carbon economy. We do this through **green finance** and developing **green retail solutions**.

We support developers or investors with a range of green finance schemes, including onshore wind farms, solar PV, battery storage power plants and energy efficiency.



In 2021, Santander UK launched a **carbon footprint tracker pilot for retail customers** in partnership with leading sustainability fintech CoGo. This project provides customers with an insight into the **environmental impact of their spending**.



Santander, in partnership with Countrywide Surveying Services, became the first mortgage provider to launch **EnergyFact** – a free, practical home energy report.

The report provides existing **Santander mortgage customers** with guidance to improve the **energy efficiency** of their home.

We have so far had 1,475 customers participate since launch in March 2021.



In the UK's fast-growing battery energy storage industry, Santander UK supported the **leading independent battery energy storage** system asset manager, Still Waters Green Technology, with a non recourse **project finance debt solution** of £28m.



Read more

For more information visit

www.santandersustainability.co.uk

Annual Report 2020

www.santander.co.uk/about-santander/investor-relations/santander-uk-group-holdings-plc

Diversity

www.santanderjobs.co.uk/diversity

Taxation strategy

www.santander.co.uk/about-santander/sustainability/taxation-strategy

Modern slavery statement

www.santander.co.uk/about-santander/sustainability/modern-slavery-statement

Environmental policy

<http://www.santandersustainability.co.uk/sites/default/files/pdf/2020-12/EnvironmentalPolicy2020.pdf>

Environment policy statement

www.santandersustainability.co.uk/sites/default/files/Environmental_Policy_Statement.pdf