

Santander Argentina
Social Loans Framework

August 2020

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I. Disclaimer

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Nothing in this document shall be considered as a recommendation to make an investment or financial operation in any type of securities or assets.

Banco Santander Río S.A. is a sociedad anónima constituted under the laws of Argentina with head offices at Av. Juan de Garay 151, Ciudad Autónoma de Buenos Aires, Argentina, and tax identification number 30-50000845-4. No shareholder is liable for Banco Santander Río S.A.'s operations beyond its respective capital contribution (Law 25.738).

Banco Santander Río S.A. is an Agente de Liquidación y Compensación y Agente de Negociación Integral N° 72 registered before the Argentine Comisión Nacional de Valores.

II. Santander Argentina at a glance¹

Santander is a leader in Argentina in the financial services sector. The Bank's extensive country-wide branch network and long-standing client's relationships across the full retail and corporate reach have given Santander a branded name in consumer, commercial and corporate banking.

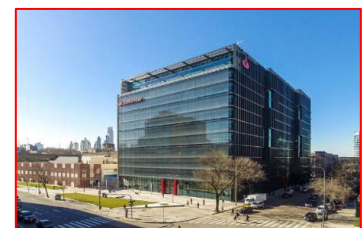
H1'20 Highlights			Strategic Priorities
	Branches	438	▶ Profitable growth increasing revenue with efficient capital allocation
	Employees	9,244	
	Loyal customers	1.3 mn	
	Digital customers	2.6 mn	▶ Customer-centric decisions, helping people and businesses prosper
	Customers loans (Eur)	4.98 bn	
	Loans market share	10.5%	▶ Progressing towards a simple and more efficient model, driven by digital transformation
	Customer funds (Eur)	9.67 bn	
	Deposits market share	11.1%	▶ Be agile and collaborative, with challenging goals and clear priorities
	Underlying attributable profit (Eur)	59 mn	
	Underlying RoTE	28.8%	
	Efficiency ratio	54.0%	

Financial inclusion branches & remote agents:

Santander Argentina opened eight branches which are located in low income areas in the surroundings of Buenos Aires (neighborhoods of Santa María, Castellar Sur, La Juanita, Villa Itati, Villa Jardín, Barrio 20, Barrio 31 and Don Orione, which previously had no banking coverage) as means to encourage financial integration. Through our **Social Integration Branches, we help unbanked communities gain access to the financial system, offering opportunities for inclusion and growth.** Since 2012, we offer microcredits and other products specially designed for the community where each branch is located.

New headquarters, with reduced environmental impact:

In 2019 we opened a **new headquarter, Garay, certified as Gold under Leadership in Energy and Environmental Design (LEED) standards.**



Santander Argentina, a Great Place to Work:

Santander Argentina has **consistently ranked within the Top 5 best companies to work for during the last 12 years according to Great Place to Work.** Also, in 2019, Santander Argentina ranked for the first time amongst the 10 best companies to work for women.



¹ Per latest audited figures

Positive social impact:

Santander Argentina is conducting **education and employment programmes in collaboration with specialized NGOs, aiming to contribute to the development of the most vulnerable sectors of the society, reaching more than 160,000 beneficiaries per year.** As an example, we developed training sessions in digital programming in partnership with Fundación Formar, and job skills and financial education to secondary school students in collaboration with and Fundación Pescar.

Women's Empowerment Principles²:

Santander Argentina adheres to the Women's Empowerment Principles (WEPs). These principles are the result of a collaboration between **UN Women and the United Nations Global Compact** and **they provide practical guidance to the private sector on how to empower women in the workplace, markets, and the community.**

² <https://www.weps.org/>

III. Sustainability at Santander Argentina

Santander Argentina adheres to the following commitments dictated by Banco Santander globally.

Adapting to the new business environment

Santander, like all businesses, needs a motivated, skilled workforce that can deliver what customers want and harness the power of new technology. Meanwhile, we face new regulations and laws. These trends create the challenge of the new business environment in which we operate. Our task is to exceed our stakeholders' expectations, and do the basics brilliantly, every day. Key to this is having a strong culture - a business in which all we do is *Simple, Personal and Fair*.

Our Commitments:

We believe that by acting responsibly towards our employees, we will build a strong team that is willing to go the extra mile for our customers, generating predictable returns for our shareholders, enabling us to invest more to support communities – which builds our teams' pride in Santander. **On this basis, we aim to be one of the top 10 companies to work for in at least 6 of the core geographies where we operate by 2021, including Santander Argentina.**

We believe that if we are to serve society better and understand customers' needs, we must have a diverse and inclusive team. This enables us to attract, develop and retain the best talent which in turn will help us to achieve better results. We will do this in a range of ways, one being a focus on senior management. **So, we aim to have between 40% - 60% women members on our Group Board by 2021 and 30% women in senior leadership positions by 2025.**

We believe that our employees deserve fair and transparent remuneration for their work. **So, we aim to have a fair salary structure and we are working to eliminate the equal pay gap by 2025.**

Supporting inclusive and sustainable growth

Santander can play a major role in helping to ensure growth is both inclusive and sustainable.

Inclusive: by meeting all our customers' needs; helping companies to create jobs; helping people to be financially empowered and get the education and skills they need.

Sustainable: by supporting the transition to a low carbon economy; and by helping to finance renewable energy, smart and sustainable infrastructures, while taking into account social and environmental risks and opportunities.

Our Commitments:

We believe that we can help more people prosper and enjoy the benefits of growth by empowering them financially: giving them access to tailored financial products and services and improving their financial

resilience through education. So, we aim to financially empower 10 million people between 2019 and 2025.

We believe that we can support our customers by helping them make the transition to the green economy. So, we aim to raise or facilitate the mobilization of 120 billion euros between 2019 and 2025, and 220 billion euros between 2019 and 2030 in green financing to help tackle climate change.

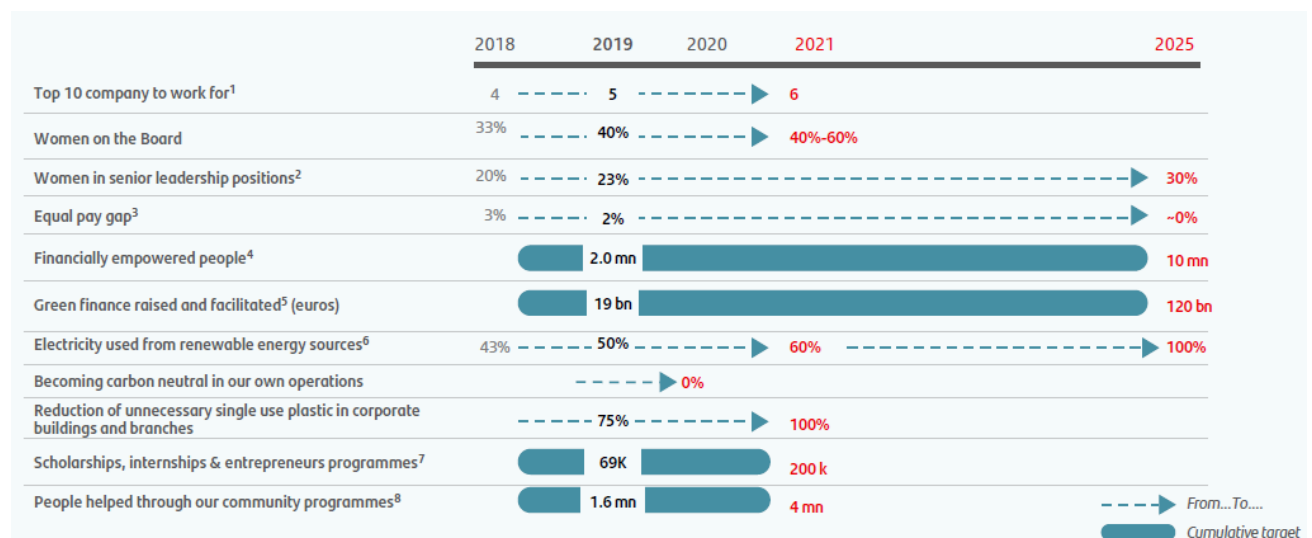
We believe that, if we are to tackle climate change, we have a responsibility to reduce emissions and our environmental footprint. So, we aim to purchase 100% of our electricity from renewable sources in all countries where possible by 2025. We also aim to eliminate unnecessary single use plastic in our branches and corporate buildings by 2021.

We believe that education is the bedrock of a fair society and strong economy. So, through our world leading Universities programme, we aim to fund 200,000 scholarships, internships and entrepreneurial programmes between 2019 and 2021.

We believe that we can play a major role to improve lives in the communities where we operate. So, we aim to help 4 million people through our community programmes between 2019 and 2021.

Our targets³

By doing this, Santander is helping to address today's main global challenges



³ <https://www.santander.com/content/dam/santander-com/en/documentos/resultados-trimestrales/2020/2q/rt-2t-2020-presentacion-resultados-en.pdf>

1. According to a well-known external source in each country (Great Place to Work, Top Employer, 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. Financially empowered people (mostly unbanked and underbanked), through products and services and social investment initiatives, to get 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 220Bn.
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 will receive a Santander scholarship, will achieve an internship in an SME or participate in entrepreneurship programmes supported by the bank).
8. People helped through our community investment programmes (excluded Santander Universities and financial education initiatives).

Our activity and investments help us to address a number of the **United Nations' Sustainable Development Goals** and support the **Paris Agreement's** aim to combat climate change and adapt to its effects.



We are by partnering or supporting different initiatives:

- **Promoting the UNEP FI Principles for Responsible Banking**, embedding sustainability across all its business areas and contributing to develop methods to align with the Paris Agreement.
- **Incorporating the UN Global Compact principles** into our policies and procedures, fulfilling our fundamental responsibilities in the areas of human rights, labour, environment and anticorruption.
- **Supporting the Task Force for Climate-related Financial Disclosure (TCFD) recommendations**, identifying and assessing risk and opportunities developing a forward-looking climate strategy and disclosing to stakeholders.

Sustainable Finance Protocol⁴

Santander Argentina has been one of the 18 founding members of the Sustainable Finance Protocol, signed in July 2019, aiming to build a sustainable finance strategy for the banking industry locally. IDB Invest and Fundación Vida Silvestre Argentina acted as promoters of this initiative, the first of its kind in the country.

The Protocol, which identifies sustainability as a guide for the financial sector, seeks to facilitate and encourage financial institutions in Argentina to implement best practices and international policies that promote an integration of economic, social and environmental factors, moving towards sustainable development in the financial industry. This framework agreement represents a **starting point for the creation of triple impact business models that seek profitability while generating positive social and environmental impacts and guaranteeing long-term sustainability.**

The signatories of this Protocol commit themselves to work on four axes:

- I. The development of internal policies to implement sustainable strategies
- II. The creation of financial products and services that support financing projects with positive environmental and social impact
- III. The optimization of current risk analysis systems with an environmental and social focus
- IV. The promotion of a culture of sustainability

⁴ <https://www.santander.com.ar/banco/online/acerca-de-nosotros/comunidad/descubri-lo-que-hacemos/santander-rio-firmo>

IV. Social Loans Framework

Background


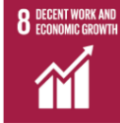

Our mission as a responsible bank is to stand alongside people and businesses in order to support them and help them prosper. This is particularly important today with the COVID-19 pandemic and the quarantine implemented across the country. In response to the severe economic impact generated as a result of the nation-wide quarantine, **Santander Argentina is committing additional support to its clients, with special focus on those most affected: Micro, Small and Medium-sized Enterprises (MSMEs) as well as health services providers such as hospitals, clinics, and nursing homes.**

Since the pandemic outbreak, **Santander Argentina provided over 47,000 million pesos in loans to MSMEs (including two of the country's largest ventilator manufacturers), hospitals, clinics and nursing homes**, developed special products and services for healthcare professionals under the "White Account" package and is carrying-out several activities to generate a positive impact on the society such as donations and open webinars (i.e. Santander Academia platform available for healthcare workers (nurses and staff) to be trained on COVID-19).

a. Use of Proceeds

To tackle this situation, and aligned with the United Nations Sustainable Development Goals, Santander Argentina is implementing specific financings for the following eligible categories:

Social eligible categories

Category - SDG	Description	Use of proceeds
SMEs Financing & Micro Financing  	<ul style="list-style-type: none"> Contribute to access to decent work and economic growth Facilitate job conservation or creation, revitalize economically depressed areas, and reduce poverty 	<ul style="list-style-type: none"> Salary payments Working capital Capital expenditures for technological equipment to facilitate teleworking or remote working Capital expenditures to improve installed capacity
Hospitals, clinics, and nursing homes financing 	<ul style="list-style-type: none"> Hospitals, medical equipment, and healthcare technologies financing 	<ul style="list-style-type: none"> Salary payments Working capital Capital expenditures for medical supplies

To date, and aligned with the eligibility criteria established in this Social Loans Framework, Santander Argentina has originated the following portfolio:

- ✓ **12,300** million pesos to aid 10,650 MSMEs for the payment of 250,000 salaries, at a special interest rate of 24%
- ✓ **33,400** million pesos in working capital facilities (including loans and checks discounting at an interest rate between 12% - 24%)
- ✓ **1,300** million pesos to aid a total of 19 hospitals, clinics and nursing homes to purchase the most urgently required medical equipment such as ventilators, masks and other vital medical supplies at a special interest rate of 24%⁵

b. Process for Project Evaluation and Selection

Commercial teams, supported by Risk, Legal & Compliance departments, perform a feasibility analysis prior to each financing based on internal guidelines and policies to ensure they are compliant with internal risk appetite and limits for each sector / category. This analysis responds to Santander's three lines of defense model:

First line	Second line	Third line
<p>Businesses and all other functions that originate risks make up the first line of defence.</p> <p>These functions must ensure that these risks are aligned with the approved risk appetite and associated limits. Any unit that originates risk has primary responsibility for the management of that risk.</p>	<p>Risk and Compliance & Conduct functions. Their role is to provide independent oversight and challenge to the risk management activities performed by the first line of defence.</p> <p>These functions ensure that risks are managed in accordance with the risk appetite defined by the board and promote a strong risk culture throughout the organisation.</p>	<p>The Internal Audit function, which regularly assesses policies, methodologies and procedures to ensure they are appropriate and effectively implemented for the management and control of all risks.</p>

In order to approve and execute these Social Loans, Santander Argentina commits to ensure that all eligible financings comply, if required, with the sustainability policies, including the General Sustainability Policy, as well as other standards Santander Argentina adheres to (i.e. Equator Principles, UN Global compact), and that are not subject to any major controversy.

Once an opportunity has been identified, and provided no material risks / contingencies were identified, the process for reaching financial close and disbursement of the financing is the following:

- I. General discussions with the client about terms & conditions, including a negotiation of the legal terms
- II. Credit committee evaluation and decision (if required) after a comprehensive review of the financing and client situation by Commercial & Risk departments involved in the transaction. For MSMEs with low turnover, large volumes of credit transactions are managed with the use of automatic decision models to classify the customer / transaction and to define limits and approvals

⁵ For comparison, the policy rate has been at levels of 38% during the first half of 2020.

III. Signing of legal documents and disbursement of the facility

Categorization:

MSMEs:

To clearly define which clients could be categorized as MSMEs, Santander Argentina applies the following criteria, aligned with the Ministry of Productive Development (*Ministerio de Desarrollo Productivo*) and the Secretariat for the Small and Medium Enterprise and Entrepreneurs (*Secretaría para la Pequeña y Mediana Empresa y Emprendedores*)⁶:

Category	Revenues by type of activity (AR\$)				
	Construction	Services	Commerce	Industry & Mining	Agribusiness
Micro	19,450,000	9,900,000	36,320,000	33,920,000	17,260,000
Small	115,379,000	59,710,000	247,200,000	243,290,000	71,960,000
Medium Tranch 1	643,710,000	494,200,000	1,821,760,000	1,651,750,000	426,720,000
Medium Tranch 2	965,460,000	705,790,000	2,602,540,000	2,540,380,000	676,810,000

To establish the corresponding category, an average of the borrowers' revenues over the latest three years should be considered, excluding VAT and other taxes, and deducting up to 75% of exports amounts.

In addition, clients are requested to submit a valid MSME certificate issued by Ministry of Productive Development.

Hospitals, clinics, and nursing homes financing

In order to be considered a potential target for the envisaged financings under this SDG, borrowers should be enrolled in the AFIP under the following categories / activities:

- Health and social care
- Manufacturers of medical equipment
- Manufacturers of surgical equipment
- Manufacturers of orthopedic equipment
- Producers / providers of pharmaceutical products

Excluded activities

The following activities are not be eligible under this Social Loan Framework:

⁶ <https://www.argentina.gob.ar/registrar-una-pyme/que-es-una-pyme>

- Gambling
- Tobacco
- Alcohol
- Armament sector
- Mining
- Nuclear power generation
- Fossil fuel-based energy

c. Management of Proceeds

Santander Argentina tracks the use of proceeds of the Social Loans granted according to the specific purposes of the financings and as specified in the legal documents signed between the Bank and the borrowers. If required, Santander Argentina will be allowed to request certain information from the borrowers to verify that proceeds are being used as intended. In order to apply to the specific facilities for salary payment, MSMEs are also requested to submit a 931-certificate issued by Federal Administration of Public Income (AFIP), as a confirmation of the salaries being paid by the company. In the case of the CapEx facilities, a proforma invoice is requested to validate the investment.

For added clarity and transparency, Santander Argentina will keep a specific record of its Social Loans' portfolio with the following information:

- Amounts allocated to each category and type of facility
- Number of financings per category and type of facility
- Portfolio's expected run-off

In the event Santander Argentina decides to issue a social bond to partially refinance the existing Social Loans portfolio or to finance new Social Loans, in both cases in compliance with this framework, net proceeds will be allocated within 24 months after its settlement. The amount and composition of the bond's asset portfolio will be monitored once per semester by members of Global Debt Financing department to account for new drawdowns and/or repayments of assets, to monitor compliance with the aforementioned use of the proceeds policies and sectorial policies. In addition to internal governance procedures, the management of proceeds will be also audited on a yearly basis by the Bank's 's financial auditor. Santander Argentina may replace assets in the portfolio, for example due to early repayment of loans, with other assets from the eligible categories. If net proceeds cannot be allocated to eligible assets, and until this situation could be solved, they will be held in accordance with Santander Argentina's normal liquidity management policy and will not be used to fund loans other than those specifically stated within this framework.

d. Reporting

Santander Argentina will report annually via the Responsible Banking chapter of its Annual Report:

- The amount of the Social Loans allocated to each of the eligible categories, by December 31st each fiscal year
- Description of the social impact of the financings, including:
 - a. Number of MSMEs aided
 - b. Number of Health and Social care providers supported
 - c. Number and amount of total facilities to finance salary payment
 - d. Number and amount of total facilities to finance capital expenditures for technological equipment to enable teleworking or remote working
 - e. Number and amount of total facilities to finance capital expenditures to improve MSMEs and Health and Social care providers installed capacity
- Social Loans portfolio and specific client's data will be kept undisclosed for confidentiality reasons
- All the information will be externally verified by the financial auditor assuring compliance with this Social Loans Framework

e. External Reviews

Santander Argentina's Social Loans Framework is supported by external reviews provided by:

- Sustainalytics review ("Second Party opinion"), as sustainability consultant, on the responsible credentials of the Social Loans Framework
- Additionally and on an annual basis, Santander Argentina could request an external verification (third party ESG and/or financial auditor) of the compliance, in all material respects, of the actual allocation of financings to the social eligible categories and their alignment with the eligibility criteria