

Report on the activities of the Supervisory Board of Santander Bank Polska S.A. in 2022

Warsaw, March 2023



Table of contents

I. Activities of the Supervisory Board of Santander Bank Polska S.A. in 2022	3
1. Supervisory Board composition; discharge of duties and responsibilities	3
1.1. Independence of the Supervisory Board members and no relationship with the shareholder holding at least 5% of voting power	4
2. Statistical data on the Supervisory Board's activity in 2022	4
3. Major areas of the Supervisory Board's activity in 2022	4
4. Activities of the Supervisory Board Committees	7
4.1. Nominations Committee	7
4.2. Remuneration Committee	8
4.3. Audit and Compliance Committee	9
4.4. Risk Committee	13
5. Self-assessment of the Supervisory Board activity in 2022	15
II. Report of the Supervisory Board on the examination of 2022 financial statements, the Management Board report on performance in 2022 and the Bank's Management Board's motion for distribution of profit	16
1. Review of the financial statements for 2022 and the Management Board report on performance in 2022	16
2. Expressing opinion about the Bank Management Board's motion on profit distribution	17
III. Assessment of Santander Bank Polska Group's performance in 2022	18
1. Santander Bank Polska Group Performance in 2022	18
2. Assessment of the internal control system	21
3. Assessment of compliance	24
4. Assessment of the internal audit function	25
5. Assessment of the risk management system	27
6. Assessment of reasonableness of expenditure on non-core business activities incurred by Santander Bank Polska S.A.	28
7. Assessment of the manner of fulfilling by Santander Bank Polska S.A. disclosure requirements set out in the WSE rules and regulations pertaining to current and periodic information published by issuers of securities	31
8. Delivery of the Diversity Policy	31
9. Assessment of discharging other duties arising from Article 380 ¹ of the Commercial Companies Code by the Bank's Management Board	33
10. Assessment of the manner of submitting by the Management Board information, documents, reports or explanation requested by the Supervisory Board	33
11. Information about the total remuneration due from the Bank for all audits requested by the Supervisory Board in accordance with Article 382 ¹ Commercial Companies Code	33
12. Summary	33
IV. Assessment of compliance with the corporate governance rules for supervised institutions	34
V. Assessment of the remuneration policy of Santander Bank Polska S.A.	35

I. Activities of the Supervisory Board of Santander Bank Polska S.A. in 2022

1. Supervisory Board composition; discharge of duties and responsibilities

In the period from 1 January to 31 December 2022, the Supervisory Board of Santander Bank Polska S.A. worked in the following composition:

Function in the Supervisory Board	No.	Composition as at 31.12.2022	No.	Composition as at 01.01.2022
Chairman of the Supervisory Board:	1.	Antonio Escámez Torres	1.	Antonio Escámez Torres
Deputy Chairman of the Supervisory Board:	2.	José Luis de Mora	2.	José Luis de Mora
Members of the Supervisory Board:	3.	Dominika Bettman	3.	Dominika Bettman
	4.	José García Cantera	4.	José García Cantera
	5.	Danuta Dąbrowska	5.	Danuta Dąbrowska
	6.	Isabel Guerreiro	6.	Isabel Guerreiro
	7.	David Hexter	7.	David Hexter
	8.	John Power	8.	John Power
	9.	Jerzy Surma	9.	Jerzy Surma
	10.	Marynika Woroszyńska-Sapieha	10.	Marynika Woroszyńska-Sapieha

In 2022, the composition of the Supervisory Board did not change.

In 2022, the Nominations Committee of the Supervisory Board of Santander Bank Polska S.A. assessed the individual suitability of the Supervisory Board members as well as collective suitability of the Supervisory Board of Santander Bank Polska S.A. in accordance with the applicable regulations and the Suitability assessment methodology for members of governing bodies of supervised entities published by the KNF. These were ongoing annual suitability assessments. The Annual General Meeting held on 27 April 2022 approved the results of the suitability assessments.

The diversified personal composition of the Supervisory Board, with members having both business experience as well as expert knowledge in different areas, evidenced by many years of practical professional experience, ensures adequate and effective discharge of supervisory duties and assures due performance of the vested duties and responsibilities.

The composition of the Supervisory Board ensures diversity in terms of gender, age, experience and academic background. The tables and graphs below show diversity of the above-mentioned bodies:

Gender	Women	Men
Number of the Supervisory Board members	4	6

Age	31–40	41–50	51–60	above 60
Number of the Supervisory Board members	-	-	6	4

Years of service with Santander Bank Polska S.A.	up to 5	6–10	11–15	16–20	21–25	above 26
Number of the Supervisory Board members	3	5	1	-	1	-

International experience:	Number of members
Number of the Supervisory Board members	7

The curricula vitae of the Supervisory Board members are available on the Bank's website.

The information on the composition of the Supervisory Board's committees is presented in point 4 below.

1.1. Independence of the Supervisory Board members and no relationship with the shareholder holding at least 5% of voting power

In line with the criteria of independence of the Supervisory Board members set out in the Act of 11 May 2017 on statutory auditors, audit firms and public oversight, § 25(2) of the Bank's Statutes, in the Supervisory Board Terms of Reference and in the Audit and Compliance Committee's Terms of Reference, the following individuals held the status of an independent member in 2022:

- Danuta Dąbrowska,
- Marynika Woroszyńska - Sapieha,
- David Hexter,
- Dominika Bettman,
- Jerzy Surma.

None of the above persons has actual or material relationship with the Bank's shareholder holding at least 5% of voting power.

Each of the above persons made a relevant statement which is subject to suitability assessment. The results of individual and collective suitability assessments of the Supervisory Board are approved by the Supervisory Board and the General Meeting in the form of a resolution.

The Supervisory Board activities and manner of discharging its duties and responsibilities are governed by the Supervisory Board's Terms of Reference available on the Bank's website.

2. Statistical data on the Supervisory Board's activity in 2022

In 2022, the members of the Supervisory Board committed sufficient time to perform their functions. Last year, the Supervisory Board held 23 meetings at which 153 resolutions were passed. Average attendance of the Supervisory Board members was 96.09%.

3. Major areas of the Supervisory Board's activity in 2022

In 2022, the Supervisory Board carried out its activities based on the adopted schedule of meetings and the general work plan adjusted to the current circumstances on an ongoing basis.

The Supervisory Board regularly requested and received from the Bank's Management Board exhaustive materials on issues covered by the agendas of its meetings as well as those pertaining to other matters important to the Bank's operations. The agenda of each meeting covered current business issues, important developments in the Bank, matters submitted by the Bank's Management Board for consideration and any other issues mandated by the Supervisory Board or deemed necessary to be covered by the agenda by the Board.

The Supervisory Board's activities are described in detail in the minutes of its meetings which, together with the adopted resolutions, are kept at the Bank's headquarters.

Irrespective of regular meetings, the Supervisory Board members stayed in regular contact with the Bank's Management Board members in order to exercise comprehensive oversight of the Management Board's operations.

The individual matters were also considered by the Supervisory Board's Committees in accordance with their powers.

In 2022, the Supervisory Board's activities concerned the following areas:

Delivery of the strategy

The Supervisory Board exercised an ongoing oversight of strategic projects delivered in the Bank in 2022.

As part of monitoring of the KPIs set for the strategic transformation continued by the Bank, a particular focus was placed on the impact of individual initiatives on business and customer-centric approach. The Supervisory Board received and analysed comprehensive information on the pursuance of the following six strategic directions: Employee Focus, Simplification, Customer Obsession, Smart Omnichannel, Innovate to Open Platform, Safety and Trust.

The Supervisory Board particularly focused on the ongoing digital transformation, including the delivery of IT projects aimed to improve customer experience (such as accelerated digitalisation of retail banking, implementation of a new mobile application).

The Supervisory Board approved the Strategic and Business Planning Policy and the Strategic Plan S-27.

Finance

The Supervisory Board assessed the actual and forecast financial performance of the Bank and Santander Bank Polska Group on an ongoing basis. The assessment was based on financial reports regularly presented by the Bank's Management Board. As part of the reports presented by the Management Board President, at each meeting the Supervisory Board was updated on the key developments referring to the Bank and its environment, the Bank's standing, assets as well as about important circumstances related to managing the business of the Bank, especially in the area of its operations, investments, human resources. The reports also covered up-to-date macroeconomic and market forecasts and their impact on the Polish economy as well as on the Bank's and Santander Bank Polska Group's financial and business performance.

The Supervisory Board was also updated by the Bank's Management Board about current priorities and the approach adopted to management of funding, liquidity, capital, risk (including credit risk) and costs.

Furthermore, special focus was placed on the impact of legal risks connected with the foreign currency mortgage portfolio and payment holidays.

In particular, the Supervisory Board:

- assessed the Financial Statements of Santander Bank Polska S.A. for 2021, the Consolidated Financial Statements of Santander Bank Polska Group for 2021 and the Management Board Report on Santander Bank Polska Group Performance in 2021 (containing the Management Board report on Santander Bank Polska S.A. performance in 2021);
- issued an opinion with regard to the Management Board's motion on the distribution of profit for 2021, and the non-distribute profit for 2019;
- approved the Management Board's resolution re approval of disclosures with regard to the capital adequacy of Santander Bank Polska Group as at 31 December 2021;
- approved the Report on the Internal Capital Adequacy Assessment Process (ICAAP Report) as at 31 December 2021;
- approved the Report on the Internal Liquidity Adequacy Assessment Process (ILAAP Report) as at 31 December 2021;
- reviewed progress against Santander Bank Polska Group Strategy for 2021–2023 and approved Santander Bank Polska Group Strategy for 2023–2025 as well as the Business Plan for 2023;
- approved the Group's Financial Plan for 2023 and the Group's Three-Year Financial Plan for 2023–2025;
- reviewed and approved the Financial Plan Document – ALM Strategy for 2023–2025.

Relationship with the External Auditor

In accordance with the Bank's Statutes and applicable regulations and pursuant to the recommendation of the Audit and Compliance Committee issued in line with the applicable principles, on 28 September 2022 the Bank's Supervisory Board adopted resolution no. 103/2022 reappointing PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. ("PwC") to:

- review the Bank's semi-annual financial statements and the Group's semi-annual consolidated financial statements for H1 2023;
- audit the Bank's financial statements and the Group's consolidated financial statements for 2023.

This process included, among other things, the assessment of PwC's independence and the quality of services provided to date.

Following the recommendations of the Audit and Compliance Committee, the Supervisory Board approved the amendments to the Policy for audit and non-audit services rendered by the auditor, whereby the process of mandating non-audit services to the auditor was updated and the lists of permitted and prohibited services were detailed.

Internal audit

The Supervisory Board was provided with regular updates on the Internal Audit Area's (IAA) operations, in particular on the results of the carried out audits and performance against the post-audit recommendations in reports given by the Chairman of the Audit and Compliance Committee, reports presented directly at the Supervisory Board meetings by the Chief Audit Executive as well as in reports given by the internal audit of Santander Brokerage Poland. The results of the Supervisory Board's assessment of the Internal Audit function are presented in point III. 4 below.

The Supervisory Board approved among others:

- the IAA Strategic (Long-Term) Plan for 2023–2026 and Operational Plan for 2023,
- changes to the audit plans reported throughout 2022,
- internal regulations pertaining to the internal audit function, including the Internal Audit Charter of Santander Bank Polska S.A. and the Internal Audit Methodology Manual.

Regulatory and compliance issues

The Supervisory Board was regularly updated on the operations of the compliance function and on compliance risk issues, both in reports given by the Chairman of the Audit and Compliance Committee and reports presented directly at the Supervisory Board meetings by the head of the compliance function as well as in the reports on the compliance function in Santander Brokerage Poland. The results of the Supervisory Board's assessment of compliance and compliance risk management function are presented in point III. 3 below.

In particular, the Supervisory Board:

- approved the Compliance Programme for 2022 and monitored its delivery, and approved new and amended internal regulations regarding the operations of the compliance unit, including its Terms of Reference, the Conflict of Interest Prevention Policy, the Reputational Risk Management Policy and the Corporate Defense Policy;
- positively assessed the Bank's whistleblowing procedure;
- received reports on major court proceedings to which the Bank was a party, on proceedings instigated by regulators, on implementation of the KNF's post-inspection recommendations along with assurance that the process was executed in an adequate and timely manner, and information on the course and results of the KNF's inspection and the supervisory review and evaluation process (BION);
- in line with Recommendation U and the Bancassurance Policy applicable in the Bank, the Supervisory Board was provided with regular updates on that business and on bancassurance risk management issues and reviewed them;
- received comprehensive information on the current legal status and circumstances of the Bank in relation to the portfolio of foreign currency mortgage loans, particularly in the context of decisions of Polish courts and judgments of CJEU;
- was updated on payment holidays introduced in 2022 for PLN mortgage loans.

Risk management system and internal control system

As part of supervision of the risk management system, during each meeting the Supervisory Board carried out a review of the main risk areas based on the Risk Dashboard report and paid special attention to, among other things, trends, utilisation of limits set in the Risk Appetite Statement, supervision over individual risk types, compliance with internal regulations, the KNF recommendations and the EU and the EBA regulations as well as appropriate identification of threats and determination of management actions. The Supervisory Board was also provided with information on the credit strategy, credit risk and condition of the credit portfolio, operational risk and other risks embedded in the Bank's operations.

Based on the conducted review, the Supervisory Board approved the risk appetite for 2022, expressed as limits set out in the Risk Appetite Statement (RAS), approved RAS updates throughout the year and monitored compliance with it.

The Supervisory Board received updates on risk management and control environment in the Bank's individual units and subsidiaries, including a report on annual ICM/SOX certification. The management of risk triggered by the COVID-19 pandemic, IT security issues and Cybersecurity Strategy were given special attention.

The Supervisory Board assessed also the effectiveness of managing: (i) operational risk, including IT risk; (ii) market risk in the Bank; (iii) interest rate risk in the banking book.

The assessment of the internal control system and the risk management system by the Supervisory Board is presented in point III. 2 below.

In 2022, the Supervisory Board approved a number of internal regulations related to risk management and internal control and their updates, including:

- Market Risk Policy, Currency Risk Management Policy, Santander Bank Polska Group Operational Risk Management Strategy,
- Control Function Matrix Methodology.

Other issues

- The Supervisory Board reviewed the strategy and activities of individual business segments, areas of the Bank and its subsidiaries, and was regularly informed about progress in delivery of regulatory projects significant to the Bank.

- The Supervisory Board monitored the status of work on the preparation of the Recovery Plan and approved the Bank Group's Recovery Plan along with the related Policies.
- Apart from the regulations indicated above, the Supervisory Board approved other internal regulations and their amended versions as recommended by the relevant committees.
- As recommended by the Nominations Committee, the Supervisory Board approved the suitability assessment of Management Board members.
- The Supervisory Board assessed the delivery of the objectives by the Management Board members in 2021 and approved their objectives for 2022. It also approved the amount of remuneration and bonuses of the Management Board members and other persons in accordance with the applicable regulations. The Supervisory Board approved amendments to the Group's Remuneration Policy and other related internal regulations.
- The Supervisory Board approved amendments to the Terms of Reference of the Management Board and the Supervisory Board and issued positive opinions on draft resolutions of the General Meeting.

4. Activities of the Supervisory Board Committees

In 2022, the Supervisory Board members sat on the following Supervisory Board Committees:

- Nominations Committee,
- Remuneration Committee,
- Audit and Compliance Committee,
- Risk Committee.

The Committees' rules of procedure are set out in their Terms of Reference introduced by relevant resolutions of the Supervisory Board. The Terms of Reference of individual Committees are available at the Bank's headquarters (the Corporate Governance Department). The members of individual Committees have knowledge and experience suitable for their roles and adequate discharge of their duties and responsibilities.

The Committees support the activities of the Supervisory Board and facilitate the discharge of its statutory obligations. They conduct in-depth and comprehensive analyses of relevant issues and provide the results to the Supervisory Board along with opinions and recommendations.

At each meeting of the Supervisory Board, the Committee Chairmen present reports on the activities of individual Committees, as well as opinions and recommendations for the Supervisory Board on relevant matters. In addition, the Supervisory Board members are provided with minutes of all Committees' meetings.

The Committees received appropriate and timely information and reports from the Management Board enabling them to discharge their responsibilities in 2022.

4.1. Nominations Committee

Role and tasks of the Committee

The Nominations Committee supports the Supervisory Board in performing its tasks, issues recommendations on appointment and removal of members of the Supervisory Board, Management Board and other key function holders by the Bank's relevant bodies, and contributes to the performance of the Bank's duties with respect to the assessment of the suitability of members of the Supervisory Board, Management Board and key function holders.

Terms of Reference

The Committee performs its duties in accordance with the Terms of Reference approved by the Supervisory Board (as amended by the Supervisory Board's resolution no. 82/2019 of 11 December 2019).

Committee composition

In 2022, the composition of the Nominations Committee was as follows:

- Marynika Woroszyńska-Sapieha – Chairperson
- Danuta Dąbrowska

- José Luis de Mora
- Jerzy Surma
- David Hexter

Number of meetings and attendance rate

In the period between 1 January and 31 December 2022, the Nominations Committee held 4 meetings with all members being present.

Committee's activities in 2022

In 2022, the Committee focused on:

- Succession plans – the Committee presented recommendations to the Supervisory Board with regard to the list of successors of the Bank's Management Board members;
- Individual and collective suitability assessments of the Supervisory Board – as part of the annual suitability reassessment, the Committee found that all members of the Supervisory Board and the Supervisory Board collectively met all suitability criteria and provided assurance of proper exercise of their duties;
- Assessment of individual and collective suitability of Management Board members – the Committee assessed individual and collective suitability of Management Board members as well as María Elena Lanciego Pérez' suitability as a candidate to the Management Board; the Committee's recommendations in relation to the suitability assessment and appointment of María Elena Lanciego Pérez were presented to the Supervisory Board which endorsed these recommendations; the process of appointing María Elena Lanciego Pérez was started in view of Carlos Polaino Izquierdo's resignation from his function on the Management Board;
- Review of the Diversity Policy – the Committee analysed the diversity of the Bank's governing bodies and did not recommend any changes to the Policy in place; the Committee also reviewed the manner of discharging this Policy;
- The Committee reviewed the policies on suitability assessment, selection, appointment and succession planning.

4.2. Remuneration Committee

Role and tasks of the Committee

The Remuneration Committee supports the Supervisory Board in performing its tasks concerning remuneration of the members of the Bank's governing bodies and key function holders, reviews and monitors the Remuneration Policy and remuneration principles, and assesses their impact on the Bank management.

Terms of Reference

The Committee performs its duties in accordance with the Terms of Reference approved by the Supervisory Board (as amended by the Supervisory Board's resolution no. 64/2022 of 25 May 2022, through which the provisions reflecting the EBA Guidelines on sound remuneration policies (EBA/GL/2021/04) were introduced to the document; they highlight, among others, adequate knowledge of the Committee members to perform the Committee's tasks, access to all required data and information and cooperation with other committees of the Supervisory Board; in addition, it has been indicated that the review of remuneration policy should include an analysis of whether the remuneration policy is gender neutral).

Committee composition

In 2022, the composition of the Remuneration Committee was as follows:

- Danuta Dąbrowska – Chairperson
- José Luis de Mora
- Marynika Woroszyńska-Sapieha
- Dominika Bettman.

Number of meetings and attendance rate

Between 1 January and 31 December 2022, the Remuneration Committee held 6 meetings with all members being present.

Committee's activities in 2022

In 2022, the Remuneration Committee focused mainly on:

- Evaluating the Management Board members' performance and setting the objectives for 2022 in accordance with the Procedure for setting objectives and evaluating performance of the Management Board members of Santander Bank Polska S.A., and awarding bonuses to the Management Board members for 2021;
- Recommendation for the Supervisory Board on the award of bonus for 2021 to the Chief Audit Executive and the head of the compliance unit, and review of remuneration of these individuals as well as other employees in charge of risk management in line with the requirements of the Regulation of the Minister of Development and Finance of 8 June 2021 on the risk management system and internal control system, remuneration policy and detailed method of internal capital estimation in banks;
- The Committee reviewed and assessed the compliance with the triggers for payment of variable remuneration to the individuals with the status of Identified Employees and recommended that the Supervisory Board should approve payment of certain portions of bonuses for 2017–2020 deferred until 2022;
- The Committee reviewed the bonus schemes for key executives, management, employees of the Business Support Centre and branch banking employees;
- Recommendation for the Supervisory Board on remuneration and additional benefits for María Elena Lanciego Pérez following her appointment as the Bank's Management Board member;
- The Committee reviewed and assessed the Remuneration Policy and concluded that it supported growth and security of the Bank's Group, in particular sound and effective risk management, and was consistent with the Bank's business strategy, objectives, values and long-term interests.
- The Committee positively assessed the draft Supervisory Board's report on remuneration of the Management Board and Supervisory Board members for 2021 and decided to recommend its approval to the Supervisory Board and its presentation at the Bank's general meeting.
- Based on the review, the Committee recommended the Supervisory Board to amend the Remuneration policy of Santander Bank Polska Group, by introducing the following changes, among others: (i) introduction of rules to ensure equal pay for male and female employees; (ii) introduction of ESG-linked targets; (iii) definition of the retention plan rules; (iv) regulation of the severance and termination payments; (v) non-compete agreements; (vi) introduction of discretionary pension benefits; (vii) introduction of variable remuneration for sales staff; (viii) malus clauses (option to apply the clauses for other employees than MRTs, e.g. those covered by the incentive plans).
- The Committee reviewed the MRT identification process and established that it was carried out in line with the applicable laws and internal regulations of the Bank. The Committee also recommended that the Supervisory Board should approve the updated list of MRTs and that the Rules for payment of variable remuneration to MRTs should be revised; the Committee also reviewed MRTs' remuneration as compared to the market.
- The Committee reviewed the employee turnover rate and the pay offered by the Bank benchmarked to the market as well as actions taken by the Bank to retain talents and ensure high satisfaction of employees. The Committee positively assessed the Management Board's decision to implemented pay rises at the Bank on 1 September 2022;

The Committee presented a general recommendation for the Supervisory Board in terms of implementation of the Incentive Plan for Santander Bank Polska Group employees; upon receiving the KNF's decision on the Bank's buyback of own shares under the Plan, the Committee recommended the Supervisory Board to adopt the Terms and Conditions of the Plan and other documents needed for its execution.

4.3. Audit and Compliance Committee

Role and tasks of the Committee

The Audit and Compliance Committee supports the Supervisory Board in discharging its oversight responsibilities towards shareholders and other stakeholders in relation to: (i) the quality and integrity of accounting policies, financial statements and disclosure practices; (ii) the Bank's compliance with laws and internal regulations; (iii) the independence and effectiveness of internal and external auditors and evaluation of their performance; (iv) the assessment of the effectiveness of the internal control and risk management systems.

Terms of Reference

The Committee performs its duties pursuant to the Terms of Reference introduced by the Supervisory Board's resolution. Most recent changes in the terms of reference were implemented in 2022, after their amendment by way of resolution no. 48/2022 dated 25 April 2022. The changes concerned adjustment of the terms of reference to the KNF's Recommendation W in the following areas: (i) indicating that the Committee must be notified of the changes in the accounting policy, their impact on future financial results of the Bank, and the information on material changes in IFRS9 models; (ii) analysing the effectiveness of the internal control and credit risk management systems by the Committee in terms of correct establishment of allowances for expected credit losses, and (iii) indicating that external companies participating in the development of the IFRS9 model and estimating allowances for expected credit losses have complied with all the independence requirements for a statutory auditor.

Committee composition

From 1 January 2022 to 31 December 2022 the composition of the Audit and Compliance Committee was as follows:

- David Hexter – Chairman
- Dominika Bettman
- Danuta Dąbrowska
- Marynika Woroszyńska-Sapieha
- Jerzy Surma.

All members appointed by the Supervisory Board to the Committee for the Supervisory Board's current term of office have met the independence criteria set out in Poland's Auditors Act of 11 May 2017 and the Bank's Statutes.

The following Committee members *have knowledge and skills in the area of accounting or auditing*:

- Danuta Dąbrowska: ACCA certificate and membership since 1999,
- Dominika Bettman: degree in economics and robust professional experience gained in previous positions, including as CFO at companies from Siemens Group.
- David Hexter: degree in economics, professional experience gained in executive positions in financial institutions.

Other members of the Committee have relevant knowledge and skills in accountancy or examination of financial statements given their long-term experience as members of the Bank's the Supervisory Board and the Audit and Compliance Committee.

The following Committee members have knowledge and skills in the area of banking:

- David Hexter: competencies gained in executive positions in the banking and financial services sectors, including in Citibank and the EBRD.
- Dominika Bettman: competencies gained as the member of the Supervisory Board of Eurobank S.A.

Other members of the Audit and Compliance Committee have long-term experience in banking given their long-term experience as members of the Bank's Supervisory Board.

Number of meetings and attendance rate

The Committee held 8 meetings in 2022, including 3 joint meetings with the Risk Committee of the Supervisory Board. The attendance rate was 100% during each meeting, except one meeting not attended by David Hexter.

Apart from the Committee's members, the regular attendees included the representatives of the Bank's Auditor, the Vice President of the Management Board in charge of the Risk Management Division, the member of the Management Board in charge of the Financial Accounting and Control Division, the member of the Management Board in charge of the Financial Management Division, the Head of the Internal Audit Area (Chief Audit Executive) and the Bank Director in charge of the Legal and Compliance Division.

Other members of the Management Board and executives were invited to attend as appropriate in order to present reports and discuss issues related to the areas under their management, including to provide explanations for the issues highlighted in the reports of the Internal Audit indicating areas for improvement as well as proposed remediation plans.

Committee's activities in 2022

In 2021, the Committee focused on oversight of the Bank's financial reporting as well as the review of key control mechanisms, especially those related to financial, operational, and regulatory compliance controls. As part of monitoring of the operations of the internal audit function, the compliance unit

and the control function, the Committee received information required to assess the effectiveness and adequacy of the internal control system and presented a relevant opinion to the Supervisory Board in that respect, noting that the system is adequate and effective.

The Committee regularly reviewed the issues within its remit, including regulatory, compliance, corporate governance, bancassurance, anti-money laundering, ICM/SOX certification and other issues.

One of the key issues in 2021 was the Covid-19 pandemic, the resulting economic crisis and the impact on the Bank's business model and its customers.

Another important issue was the portfolio of foreign currency mortgage loans. The Committee analysed the current position of the Bank in the light of court decisions and CJEU judgements, and supervised estimation of provisions for legal risk related to that portfolio, also during joint meetings with the Risk Committee of the Supervisory Board. To that end, the Committee held meetings with the Management Board and the representatives of the external auditor.

The main focus areas of the Audit and Compliance Committee in 2021 included: In 2022, the Committee focused on oversight of the Bank's financial reporting as well as the review of key control mechanisms, especially those related to financial, operational, and regulatory compliance controls. As part of monitoring of the operations of the internal audit function, the compliance unit and the control function, the Committee received information required to assess the effectiveness and adequacy of the internal control system and presented a relevant opinion to the Supervisory Board in that respect, noting that the system is adequate and effective.

The Committee regularly reviewed the issues within its remit, including regulatory, compliance, corporate governance, bancassurance, anti-money laundering, ICM/SOX certification and other issues.

One of the key issues in 2022 was the macroeconomic situation connected with COVID-19 pandemic, war in Ukraine and the ensuing economic crisis, including the energy crisis and impact on the situation of the Bank's customers.

Another important issue was the portfolio of foreign currency mortgage loans. The Committee analysed the current position of the Bank in the light of court decisions and CJEU judgements, and supervised estimation of provisions for legal risk related to that portfolio. To that end, the Committee held meetings with the Management Board and the representatives of the external auditor.

The Committee, also as part of its joint meetings with the Risk Committee of the Supervisory Board, analysed and supervised the status of deficiencies of the Internal Control System and anti-money laundering and terrorism financing issues.

The main focus areas of the Audit and Compliance Committee in 2022 included:

Financial reporting

The Committee reviewed the Bank's and the Group's audited financial statements for 2021 and discussed their content with the Management Board.

The Committee discussed with the auditor the results of the review of the financial statements and issues reported in this respect to the Management Board, and reviewed and discussed with the auditor its additional report for the Audit and Compliance Committee. In 2022, the Committee also monitored the implementation of the auditor's recommendations presented in that report by the Management Board.

Based on the detailed review of the financial statements and the auditor's additional report for the Committee, the Committee recommended that the Supervisory Board should approve the audited financial statements for inclusion in the Company's annual report for the year ended 31 December 2021, and the Supervisory Board endorsed the Committee's recommendation.

The Committee reviewed the Bank's and Group's financial statements for Q1 and Q3 2022 and H1 2022. The Committee recommended approval of those statements to the Supervisory Board.

The Committee reviewed the reports on Capital adequacy and on the activities of the Disclosure Committee in 2021 and noted that the capital ratios were above the KNF's minimum requirements and recommended to the Supervisory Board that the disclosures related to the capital adequacy of Santander Bank Polska Group as at 31 December 2021 should be approved.

The Committee also reviewed and recommended to the Supervisory Board the approval of the report with a condensed interim information on Santander Bank Polska Group's capital adequacy as at 30 June 2022. In accordance with the Bank's Disclosure Strategy, the Report (Disclosure Report) provides information on the capital adequacy at the consolidated level of Santander Bank Polska Group, including Santander Consumer Bank.

Internal Audit

The Committee supervised the activity of the Internal Audit Area on a regular basis and monitored the Audit Plan delivery on an ongoing basis. During the year, the Committee also reviewed and recommended that the Supervisory Board approve changes to the Audit Plan.

The Committee positively assessed the activity of the Internal Audit Area in 2021 and concluded that the IAA was independent from other functions and that its work was adequate and effective.

The Committee monitored on an ongoing basis the implementation of the Internal Audit Area recommendations. The post-audit reports are presented in a manner that enables the Committee to focus on high risk areas which require improved controls. Objective indicators were defined to track the delivery

of remediation commitments across the Group, and the Chief Audit Executive presented to the Committee regular reports on compliance with these indicators. The Committee also regularly analysed information about the KNF requests sent to the Internal Audit Area (mostly concerning audits of selected issues).

The Committee reviewed the report on the quality assurance and improvement programme for 2021 – periodic internal quality assessment (no major issues or irregularities) as well as remuneration, headcount and staff turnover rates in the Internal Audit Area. Succession plans for key roles within the Internal Audit Area were approved too. In the Committee's opinion the staffing levels in the Internal Audit Area were adequate and the Area's independence was ensured, also as required under Standard 1110 of the International Standards for the Professional Practice of Internal Auditing and the KNF's Recommendation H.

As part of oversight of the internal audit function, the Committee reviewed the reports of the head of Internal Audit in Santander Brokerage Poland – a standalone unit performing the audit function for Santander Brokerage Poland. The Committee also reviewed the reports of the Internal Audit Department of Santander Consumer Bank S.A.

In 2022, the Committee also analysed proposals to introduce and amend internal regulations concerning the Internal Audit Area and recommended their approval to the Supervisory Board.

In December 2022, the Committee reviewed and recommended to the Supervisory Board the approval of the operational (annual) plan for internal audits for 2023, the strategic (long-term) plan for internal audits for 2023–2026 and the Area's budget for 2022. The plans take into account the audit function in Santander Brokerage Poland (a standalone organisational unit of the Bank).

External audit

The Bank complies with Poland's Auditors Act of 11 May 2017 in terms of selection of an external auditor and determines the scope of services related to the audit of financial statements and other tasks.

In 2022, the Committee issued a recommendation to the Supervisory Board to appoint PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audit sp.k. to review and audit the financial statements of the Bank and Santander Bank Polska Group for 2023. The process included, among other things, assessment of the independence of PwC and quality of the services provided to date.

The Committee was also provided with a written statement from the external auditor confirming their independence pursuant to Articles 69-74 of Poland's Auditors Act of 11 May 2017.

Furthermore, in 2022 the Committee gave consent to PwC and other entities from its network to provide permitted non-audit services. Before the relevant recommendations were presented to the Supervisory Board, the independence of the auditor with respect to the audit of financial statements had been verified with a positive outcome. The Committee also approved the remuneration for the above-mentioned services, in line with the parameters approved by the Supervisory Board.

The Committee reviewed: (i) Policy on audit and non-audit services rendered by the auditor – based on recommendations of the Committee, the Supervisory Board implemented changes in the regulation; and (ii) Auditor Services Policy at Santander Bank Polska S.A.

The Committee is satisfied that the external auditor ensures an effective and independent assessment of accuracy of the Bank's financial statements and adequacy and effectiveness of control mechanisms. Moreover, the auditor's report on the review of financial statements and an additional report for the Audit and Compliance Committee provide valuable recommendations regarding effectiveness of the internal controls. The Committee regularly checks if these recommendations are delivered as required and scheduled.

Compliance

The Committee positively reviewed the report on the compliance unit's operations in 2021 and monitored the unit's activities in 2022 on an ongoing basis.

The Committee assessed the Compliance Programme for 2022, recommended its approval to the Supervisory Board, supervised its implementation, also as part of reports and information provided at the Committee's meetings, and recommended its update to the Supervisory Board.

The Committee analysed and recommended to the Supervisory Board the approval of new and amended internal regulations governing the compliance unit and its tasks, including management of conflicts of interest.

The Committee paid special attention to employment in the unit, its organisational structure and independence.

The analyses also covered the reports on compliance risk (including the self-assessment), commercialisation of products, regulatory proceedings, court litigations involving the Group's entities, anti-money laundering issues, implementation of the KNF's and Internal Audit's recommendations, monitoring of conduct and reputational risk indicators, customer complaints ratios and adherence to the Bank's General Code of Conduct.

The Committee also reviewed the reports of the Supervision Inspector in Santander Brokerage Poland, focusing on the compliance issues in that unit.

As part of the annual assessment, the Committee concluded that the unit was independent of other functions and that compliance risk management was adequate and effective.

Other matters

In 2022, the Committee also reviewed reports on:

- internal control system;
- confirmation of compliance of provisions with bonus and incentive policies and procedures in the context of the KNF's and EBA's guidelines;
- Respect and Dignity Policy (concerning cases reported by staff via dedicated whistleblowing channels), assessing positively the adequacy and effectiveness of the whistleblowing system;
- supervision of compliance with legal requirements on custodian services;
- bancassurance business, with special focus on claims rejection indicators and early termination of insurance policies;
- anti-money laundering;
- the Bank's BION (SREP) rating;
- brokerage activities carried out by Santander Brokerage Poland pursuant to Article 70(2) of the Banking Law Act;
- staff attrition rates;
- key tax and accounting issues from the Bank's perspective,
- review of internal regulations,
- outsourcing,
- listening to the Bank's Director in charge of the Legal and Compliance Division following his resignation from the position.

The Committee was also regularly updated on the governance in the Bank, including implementation of the KNF's Recommendation Z. The Committee reviewed drafts of internal regulations in this respect and recommended their approval by the Supervisory Board.

In line with its Terms of Reference, in 2022 the Committee held individual meetings with the Vice President of the Bank's Management Board in charge of the Risk Management Division, the Bank Director in charge of the Legal and Compliance Division, the Head of the Internal Audit Area (Chief Audit Executive) and the External Auditor (PwC).

The Committee regularly reviews its activities and results. The review process includes discussions on the format of the Committee's meetings and effectiveness of the reporting process.

4.4. Risk Committee

Role and tasks

The mission of the Risk Committee is to assist the Supervisory Board in discharging its responsibilities to the shareholders and other stakeholders in relation to: (i) ongoing monitoring of the risk management system, (ii) appropriate risk management philosophy, as articulated in relevant legal regulations and regulatory recommendations and market standards; (iii) risk appetite, as reflected in policies and risk limits; (iv) enhanced oversight of more significant business risks undertaken by the Bank; and (v) the appropriateness of the overall risk governance framework.

In particular, the Committee:

- issuing opinions on the current and future readiness of the Bank to take up risk,
- issues opinions on the risk management strategy developed by the Bank's Management Board and information about its delivery submitted by the Management Board;
- supports the Supervisory Board in overseeing the implementation of the risk management strategy in the Bank's operations by senior management;
- checks if the prices of assets and liabilities offered to customers fully reflect the Bank's business model and risk strategy; otherwise, the Committee presents to the Management Board proposals to ensure that the prices of assets and liabilities are adequate to relevant risk types;
- participates in the appointment/ removal of the Management Board member in charge of risk management by issuing opinions to the Nominations Committee in this respect;
- issues opinions on the appointment and removal of the Management Board member in charge of risk management and reviews his/her annual objectives and their delivery.

The Committee's tasks are reflected in the annual work plan, in line with which the Committee discharges its responsibilities.

Terms of Reference

The Committee performs its duties in line with the Terms of Reference approved by the Supervisory Board (resolution no. 152/2021 of 8 December 2021). In 2022 the Committee reviewed its Terms of Reference and established that there was no need for any updates.

Committee composition

In 2022, the composition of the Risk Committee was as follows:

- Jerzy Surma – Chairman
- Dominika Bettman,
- David Hexter,
- John Power.

Number of meetings and attendance rate

In 2022 the Committee held 6 meetings attended by all Committee Members, except David Hexter and John Power who participated in 5 meetings.

All members of the Committee also participated in two joint meetings with the Audit and Compliance Committee of the Supervisory Board.

Apart from the Committee's members, regular attendees included representatives of the Bank's Auditor, Vice President of the Management Board in charge of the Risk Management Division, member of the Management Board in charge of the Financial Accounting and Control Division, member of the Management Board in charge of the Financial Management Division, Bank Director in charge of the Legal and Compliance Division, Head of the Internal Audit Area (Chief Audit Executive) and other members of the Management Board and senior management of the Bank invited to the Committee meetings to present reports and discuss matters related to the areas they manage.

Committee's activities in 2022

When performing its responsibilities, the Committee takes into account the fact that risk-taking by the Bank has to be adequate to the scale and profile of its business. Risk management is governed by the industry standards and regulatory guidance and recommendations concerning, among other things, operational risk, credit risk, market risk and liquidity risk.

Accordingly, in 2022 the Committee focused on:

- monitoring of the current risk profile of Santander Bank Polska Group based on Risk Dashboards and monitoring of the internal limits utilisation from the perspective of the current business strategy and the macroeconomic environment;
- review and evaluation of Santander Bank Polska Group's Risk Appetite Statement and recommendations for the Supervisory Board with regard to risk appetite approval; opinions and recommendations for the Supervisory Board with respect to limit excesses;
- comprehensive review and assessment of credit policies and portfolio, including non-performing loans;
- assessment of the pricing of assets and liabilities offered to customers;
- review of model risk management;
- review and recommendations for the Supervisory Board with regard to approval of the Internal Capital Adequacy Assessment Report (ICAAP Report) for Santander Bank Polska Group and Internal Liquidity Adequacy Assessment Report (ILAAP Report) for Santander Bank Polska Group;
- review of the operational risk management process, including the management of business continuity, information security, outsourcing and insourcing risk and fraud prevention in all areas of the Bank's business, including fraud detection in e-banking;
- review of the risk management and internal control in the Bank's subsidiaries (Santander-AVIVA, Santander TFI, Santander Consumer Bank, Santander Leasing and Santander Factoring) and the Bank's business areas (Multichannel Communication Centre, Central Operations Area, Corporate and Investment Banking Division, including Financial Markets Area and Treasury, Santander Brokerage Poland, Branch Banking – branches and partner branches, mobile and online banking, Wealth Management/ Private Banking);
- review of resources and succession plans in the Risk Management Division, and presentation of recommendations to the Supervisory Board with regard to the assessment of the knowledge and skills of the Management Board members in terms of operational risk management;

- recommendations for the Supervisory Board with regard to approval of the strategy and policies referring to risks embedded in the Bank's business as well as updates of these documents, including Risk Management Strategy, Operational Risk Management Strategy, Control Function Matrix Methodology, NPE Strategy for 2023–2025 and the operational plan;
- review of the three-year financial plan and strategic plan risk challenge.

The Committee reviewed the regulations on the ALM governance structure, changes to the Capital Contingency Plan and regulations and procedures on Special Situations Management and recommended their approval to the Supervisory Board.

The Committee also paid special attention to such issues as: (i) risks associated with the war in Ukraine; (ii) risks related to the Bank's ICT environment, including the review of Cybersecurity Dashboards, information security, measures taken to prevent IT systems unavailability, data quality and implementation of the Cybersecurity Strategy; (iii) Cybersecurity Strategy for 2022–2023; (iv) risks related to foreign currency mortgage loans (including provisions) and risks related to payment holidays; (v) cost of credit.

As part of reviewing individual risk areas, the Committee also monitored the identification of risks and the results of inspections and audits carried out by the KNF, Internal Audit and the external auditor. The Committee also checked the implementation of recommendations issued after such inspections and audits.

Another important issue in 2022 was the portfolio of foreign currency mortgage loans.

As part of its joint meetings with the Audit and Compliance Committee of the Supervisory Board, the Committee analysed and supervised the status of deficiencies of the Internal Control System and anti-money laundering and terrorism financing issues.

One of the Committee's tasks is the oversight of the stress tests undertaken by the Bank in line with its own assumptions and requirements set by the KNF. These tests are one of the elements of the credit risk management process and are used to evaluate: (i) potential impact of market developments, movements in financial and macroeconomic ratios as well as changes in the risk profile on the condition of the Bank and the Group; (ii) changes of quality of credit portfolios in the case of adverse events. The results of stress tests are closely linked with the review of the Group's Risk Appetite Statement and provide management information on the adequacy of the set limits and allocated internal capital.

The Committee receives regular reports on Santander Bank Polska Group's risk profile, which in particular refer to: (i) performance against the defined risk appetite and exceptions in this respect; (ii) risk trends; (iii) risk concentration; (iv) key performance indicators.

5. Self-assessment of the Supervisory Board activity in 2022

In line with the KNF's Recommendation Z no. 8.9, the Supervisory Board self-assessed the effectiveness of its activities.

In 2022 the Supervisory Board had duly and effectively discharged its responsibilities arising from applicable laws, including the Commercial Companies Code, the Banking Law, the Bank's Statutes and the KNF recommendations, as well as from corporate governance rules.

The internal regulations pertaining to the Supervisory Board activities are adequate to the scale and nature of the Bank's business, comply with commonly applicable regulations, ensure adequate composition of the Supervisory Board and effective discharge of its supervisory duties. The composition and structure of the Supervisory Board, including the number of independent members, are adequate to the size and complexity of the Bank's organisational framework. Succession is properly managed and the adopted rules for ensuring continuity on the Supervisory Board are adequate.

The Supervisory Board met as often as necessary to ensure that all matters within its remit were duly addressed. It obtained all the required documents and information and regularly requested the Management Board to provide updates on the Bank and its Group.

The Supervisory Board members committed sufficient time to perform their duties as confirmed by high attendance at all meetings of the Supervisory Board (96.09% on average) and its Committees as well as active participation of the members, who asked questions, made comments and discussed the matters submitted by the Management Board.

All issues regarded by the Supervisory Board or its Committees as significant for the oversight of the Bank's business were thoroughly analysed and – based on detailed questions and agreements with the Management Board – effectively monitored, both by the Supervisory Board and its Committees.

The Audit and Compliance Committee and the Risk Committee held regular joint sessions to analyse selected issues in detail in accordance with the powers and responsibilities of these Committees. This helped to improve oversight and address major issues in a comprehensive way.

While performing their duties, Supervisory Board members were guided by the interest of the Bank and the independence of judgements and opinions.

All members of the Supervisory Board individually and the Supervisory Board collectively meet the suitability criteria arising from laws and regulatory guidelines.

Both the composition of the Supervisory Board and knowledge and experience of its individual members, and their active participation in the meetings of the Supervisory Board and its Committees ensured sound and effective operations of the Supervisory Board as well as proper and effective supervision over the Bank's activities in 2022.

II. Report of the Supervisory Board on the examination of 2022 financial statements, the Management Board report on performance in 2022 and the Bank's Management Board's motion for distribution of profit

1. Review of the financial statements for 2022 and the Management Board report on performance in 2022

Pursuant to Article 382(3) of the Commercial Companies Code and § 32(1) and § 32(6) of the Bank's Statutes, the Supervisory Board reviewed the Bank's financial statements for 2022 and the Group's consolidated financial statements for 2022 as well as the Management Board report on the Group's performance in 2022, including the Management Board report on the Bank's performance in 2022 in terms of their consistency with the books of account, documents and factual circumstances. These documents will be submitted by the Bank's Management Board to the Bank's Annual General Meeting of Shareholders.

Pursuant to resolution no. 24/2021 of 23 February 2021, the Supervisory Board appointed PricewaterhouseCoopers Sp. z ograniczoną odpowiedzialnością Audit sp. k. ("PwC", "statutory auditor") to review the foregoing statements.

Having thoroughly reviewed the financial statements of Santander Bank Polska S.A. for 2022 and the consolidated financial statements of Santander Bank Polska Group for 2022, and having read the auditor's opinion and report, the Supervisory Board positively assessed the financial statements in terms of their consistency with the books of account, documents and factual circumstances.

Furthermore, the Supervisory Board stated that the financial statements had been prepared within the regulatory time frame and in accordance with the International Financial Reporting Standards as adopted by the European Union. The accuracy of the financial statements does not raise any reservations and is confirmed by the auditor's unqualified opinion in terms of their consistency with the books of account, documents and factual circumstances.

Pursuant to the opinion of the independent statutory auditor, both standalone and consolidated financial statements of Santander Bank Polska S.A. give a true and fair view of the assets and financial position of the Bank and the Group as at 31 December 2022 as well as the standalone and consolidated financial performance and cash flows for the accounting year of 2022. They comply in terms of form and substance with the applicable laws and the Bank's Statutes.

Having thoroughly reviewed the Management Board Report on Santander Bank Polska Group Performance in 2022 (including the Management Board Report on Santander Bank Polska S.A. Performance), the Supervisory Board positively assessed the report in terms of its consistency with the books of account, documents and factual circumstances. The report gives an accurate view of the development and achievements as well as assets, financial position and financial performance of the Bank and Santander Bank Polska Group.

Furthermore, the Supervisory Board stated that the report had been prepared in accordance with the Accounting Act of 29 September 1994 and the Finance Minister's Regulation of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state.

Pursuant to the opinion issued by the independent statutory auditor, the Management Board report is consistent with the information presented in the Bank's and the Group's financial statements and does not contain any material misstatements. The Statement on Corporate Governance in 2022 included in the report contains all the required elements, and the Statement on Non-Financial Information is an independent section of the Bank's Management Board report.

PwC opinions referred to above are consistent with the external auditor's additional report for the Audit and Compliance Committee.

When making the above assessments, the Supervisory Board also took into account the Audit and Compliance Committee's recommendation presented at the Supervisory Board meeting held on 21 February 2023.

Given the above, pursuant to resolution no. 4/2023 of 21 February 2023, the Supervisory Board decided to submit the following documents for approval to the Annual General Meeting:

- Financial Statements of Santander Bank Polska S.A. for 2022,
- Consolidated Financial Statements of Santander Bank Polska Group for 2022,
- Management Board Report on Santander Bank Polska Group Performance in 2022 (containing the Management Board Report on Santander Bank Polska S.A. Performance)

and pursuant to resolution no. 6/2023 of 21 February 2023, the Supervisory Board decided to submit these documents to the Annual General Meeting for approval.

2. Expressing opinion about the Bank Management Board's motion on profit distribution

On 22 March 2023, the Supervisory Board assessed the Management Board's recommendation to distribute net profit of PLN 2,449,042,525.50 for the accounting year from 1 January 2022 to 31 December 2022 as follows:

- PLN 72,357,000.00 to be allocated to capital reserve;
- PLN 2,376,685,525.50 – to be allocated to the dividend reserve (Dividend Reserve) created by force of resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve (Resolution no. 6).

On 22 March 2023, the Supervisory Board also assessed the Management Board's recommendation on the following distribution of the undistributed profit earned on the sale of shares in AVIVA insurance companies and posted under other comprehensive income:

- PLN 840,886,574.78 to be allocated to the Dividend Reserve created by the Annual General Meeting by force of Resolution no. 6.

The Supervisory Board issued a positive opinion on the above recommendations, taking into account that:

As at 31 December 2022, the capital ratios were as follows:

- Tier 1 capital ratio of 19.74% and 17.54% for the Bank and the Bank's Group respectively;
- total capital ratio of 21.80% and 19.27% and the Bank's Group, respectively.

As at 31 December 2022, the Bank met the basic criteria defined in the Polish Financial Supervision Authority's (KNF) position of 6 December 2022 on the dividend policy of commercial banks for 2023 (Dividend Policy) to be able to pay a dividend up to 100% of its net profit earned in the period from 1 January 2022 to 31 December 2022. Additionally, having factored in the quality of the Bank's loan portfolio measured as the share of NPLs in the total portfolio of receivables from the non-financial sector, including debt instruments, the potential dividend payout ratio remained at 100% in view of the Bank's sound credit quality. At the same time, the Bank's receivables arising from FX home loans to households do not account for more than five percent of its portfolio of receivables from the non-financial sector.

Taking into account the lack of additional adjustments, the KNF informed the Bank that it met the requirements to pay out 100% of its net profit for 2022 in the form of a dividend.

However, the KNF noted that "taking into account the uncertainty related to the macroeconomic situation as well as: (i) dynamic changes in the banking sector's environment; (ii) risks that the Bank is exposed to, primarily the risk related to the CJEU's decision on case C-520/21, which might have a material adverse impact on the Bank's standing; (iii) potential deterioration of credit quality related to increased inflation, slowed economic growth as well as high debt service costs for borrowers; (iv) need to ensure the stability of the Bank's business in upcoming periods and its further growth",

it recommended that:

- Santander Bank Polska S.A. does not pay dividend from the profit earned from 1 January 2022 to 31 December 2022 until the CJEU issues its decision with regard to the reimbursement of additional costs in excess of the funds paid out in performance of the CHF loan agreement invalidated on grounds of unfair clauses (in relation to the request for preliminary ruling from the Regional Court for Warsaw-Śródmieście in Warsaw – case C-520/21);
- Santander Bank Polska S.A. consults the supervisory authority before paying dividend from the profit earned from 1 January 2022 to 31 December 2022 after the CJEU issues its decision referred to in item 1;
- the Bank consults the supervisory authority before taking any other measures which could reduce its own funds (in particular if they go beyond the scope of the ordinary business and operational activity), including the distribution of the profit retained in previous years or the buy-backs or purchases of the Bank's own shares.

Taking into account the Bank's current and planned capital adequacy that ensures safety of its operations as well as the KNF's recommendations with regard to maintenance of adequate equity and the Bank's dividend policy, including the KNF's position of 16 March 2023, the Supervisory Board issued a positive opinion on the Management Board recommendations.

The profit distribution recommended to the Annual General Meeting will not preclude the Management Board's potential decision to distribute profit to the shareholders in the form of interim dividend and to use the Dividend Reserve for that purpose pursuant to the authorisation given to the Management Board in accordance with § 50(4) of the Bank's Statutes.

It will be contingent in particular on the positive opinion of the KNF once the CJEU takes a decision on case C-520/21 as well as economic situation and market conditions.

The Management Board's potential decision to pay an interim dividend will also require the approval of the Supervisory Board.

III. Assessment of Santander Bank Polska Group's performance in 2022

Pursuant to Best Practice for GPW Listed Companies 2021, the Supervisory Board assessed the Bank's and Santander Bank Polska Group's standing in 2022. The assessment covered the internal control system, risk management, compliance and internal audit function, including significant control mechanisms, including those related to reporting and operational activity.

1. Santander Bank Polska Group Performance in 2022

Economic growth

The Polish economy saw a robust start of 2022 with a great momentum only to decelerate thereafter, weighed down by Russia's invasion of Ukraine and the resulting surge in energy prices, increased uncertainty and disruptions to international trade. In the first quarter of the year, GDP growth was 8.6% YoY, and in the fourth quarter it was only around 2% YoY. The outbreak of the war, the high dynamics of the economic rebound after the pandemic and the loose economic policy contributed to a very strong acceleration in price growth, with inflation reaching the levels last recorded decades ago. Prices rose noticeably faster than wages, and by the end of the year the real decline in wages was the strongest in years. This translated into a much worse performance of private consumption. Higher interest rates in turn caused a strong slowdown in the credit and housing markets.

Inflation

2022 was characterised by very high inflation, averaging around 14.3% YoY. Inflation peaked in October, when it reached 17.9% YoY. It declined slightly in the following two months, to 16.6% in December. Strong price increases were seen across a wide range of categories, energy, fuel and food prices in particular. Core inflation (after excluding food, fuel and energy prices) also reached record levels and averaged around 9.0% YoY while PPI (producer prices) inflation was around 22.5% YoY on average in 2022.

Monetary policy

Very high inflation prompted the Monetary Policy Council to continue the interest rate increases started in 2021 and the NBP reference rate rose during 2022 to 6.75% from 1.75%.

Deposit and credit market

The total loan portfolio in the banking sector increased by 0.6% in 2022 (after adjustment for exchange rate effects), following an increase of 4.4% in 2021. The weakening economic growth and the very strong rise in interest rates translated into lower demand for credit. In particular this concerned the mortgage loan sales as in December the total value was 1.6% lower than a year earlier, while in 2021 the volume had increased by 12.5%. The value of consumer loans, on the other hand, fell by 3% (after adjustment for exchange rate effects). Businesses reported an increased demand for working capital finance in the first part of the year, but this too weakened in the following months. At the end of the year, the volume of business loans was 9% higher than a year earlier (after adjustment for exchange rate effects).

Deposits increased by 5.8% YoY, with deposits from private individuals up 4.4% YoY and from companies up 11.6% YoY. As the rise in interest rates increased the attractiveness of term deposits, their volume increased by 90.7% YoY against a 10.9% YoY decline in the volume of current deposits.

Income Statement

The profit before tax of Santander Bank Polska Group for the year ended 31 December 2022 was PLN 4,353.0m, up 111.5% YoY. The profit attributable to the shareholders of the parent entity increased by 151.8% YoY to PLN 2,799.1m.

The underlying profit before tax increased by 136.0% YoY and the underlying profit attributable to the shareholders of the parent went up by 146.2% YoY (assumptions related to underlying positions are described in the consolidated financial statements).

The consolidated profit before tax for 2022 was driven by high net interest income (+61.9% to PLN 9,652.3m) resulting from NBP interest rate hikes and satisfactory growth of the Group's credit portfolios. The increase in net interest income was reduced by payment deferrals, whose estimated financial impact (PLN 1,544.4m) was recognised in P&L for Q3 and Q4.

Interest rate increases adversely affected net trading income and revaluation (-PLN 141.2m YoY), and gain/ loss on other financial instruments (-PLN 118.0m YoY) due to higher yield of debt securities, lower value of equity instruments and lower gains on derivatives.

Apart from net interest income, the consolidated profit was also positively affected by lower expected credit loss allowances (-20.4% YoY) reflecting a stable financial standing of customers in H1 2022 and signs of its deterioration in H2 2022 due to adverse macroeconomic environment and outlook.

In 2022, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 894.7m. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 33.3m and decreased by 84.5% YoY.

The profitability was also driven by higher net fee and commission income (+3.2% YoY), mainly from currency exchange, lending, insurance and debit cards.

The profit before tax for 2022 was weighed down by cost of legal risk and settlements connected with foreign currency mortgage loans (+34.3% YoY) and staff, administrative and general expenses (+25.4% YoY), which included the Group's contribution to the aid fund established by member banks of the institutional protection scheme as well as contributions to the Borrowers Support Fund and the BFG resolution fund.

This was coupled with an increase in tax on financial institutions (+27.1% YoY) following the growth in taxable assets. At the same time, dividend income was lower (-PLN 102.3m YoY) due to the divestment of three insurance companies from Aviva Group in 2021, which used to be classified to the portfolio of investment securities of Santander Bank Polska S.A.

Total operating expenses of Santander Bank Polska Group for 2022 went up by 17.8% YoY to PLN 4,697.7m on account of an increase in salaries, the Bank's participation in the newly established institutional protection scheme, a mandatory contribution to the Borrowers Support Fund, and growing cost of marketing and IT usage. Changes in prices driven by inflation were another adverse factor.

On a comparative basis, i.e. excluding the impact of the contributions to the Borrowers Support Fund and contributions to the funds operated under institutional and mandatory protection schemes to ensure stability of the banking sector, the underlying total operating expenses were up 2.4% YoY.

In 2022, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 894.7m, down 20.4% YoY. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 33.3m and decreased by 84.5%.

Assets

As at 31 December 2022, the total assets of Santander Bank Polska Group were PLN 259,167.2m, and increased by 6.6% YoY mainly on account of receivables from repo transactions, loans and advances to customers and banks, and financial assets held for trading. The value and structure of the Group's financial position is determined by the parent entity, which held 91.9% of the consolidated total assets vs 89.2% as at the end of December 2021.

Credit portfolio

As at 31 December 2022, consolidated gross loans and advances to customers were PLN 158,392.7m and increased by 4.0% vs 31 December 2021.

Loans and advances to individuals increased by 1.9% YoY to PLN 81,483.3m as at the end of December 2022. Home loans, which were the main contributor to this figure, totalled PLN 53,176m and decreased by 2.9% YoY as a result of a slowdown in the mortgage loan market and an increase in an adjustment to gross carrying amount in respect of legal risk connected with foreign currency mortgage loans. Cash loans totalled PLN 21,034m (+1.1% YoY).

Loans and advances to enterprises and the public sector (including factoring receivables) went up by 11.4% YoY to PLN 64,833m as a result of higher utilisation of overdrafts by business customers, and higher exposure on account of investment loans in the Business and Corporate Banking segment and the Corporate and Investment Banking segment.

During the reporting period, the cost of credit risk of Santander Bank Polska Group was 0.59% vs 0.76% in 2020.

As at 31 December 2022, the NPL ratio was 4.95% and the provision coverage ratio for impaired loans was 57.5%.

Equity and liabilities

As at 31 December 2022, consolidated deposits from customers were PLN 196,496.8m and increased by 6.0% YoY driven by strong inflows in the last quarter of the year.

An increase was observed in financial liabilities held for trading and hedging derivatives (+61.1% YoY), largely supported by transactions in interest rate and currency instruments, and in deposits from banks and sell-buy-back transactions (+29.4% YoY), reflecting the Group's increased activity in the sell-buy-back market.

Subordinated liabilities and liabilities in respect of debt securities in issue decreased by 22.0% YoY in 2022, with the latter item falling by 27.1% YoY to PLN 9,330.6m, as a combined effect of the issue of debt instruments with a total nominal value of PLN 5,426.4m and redemption of PLN 9,088.0m worth of securities on their maturity dates.

Under the EMTN Programme, the Bank issued fixed-coupon senior non-preferred notes with a nominal value of EUR 500m, which were taken up in full by Banco Santander S.A. These are fixed-coupon notes maturing on 30 March 2024. Santander Leasing S.A. issued three series of 1-year bonds with a total nominal value of PLN 1,235m, a put option and an interest rate based on 3M WIBOR. The above issues are guaranteed by the Bank. Santander Factoring Sp. z o.o. issued 6-month bonds with a nominal value of PLN 150.0m and an interest rate based on 1M WIBOR.

Deposits

As at 31 December 2022, consolidated deposits from customers were PLN 196,496.8m and increased by 6.0% YoY. At the end of 2022, a dynamic inflow of funds was noted, particularly in the case of business accounts.

The retail deposit base totalled PLN 107,927.3m and was up 1.6% compared to 31 December 2021. Term deposits increased by 147.5% YoY to PLN 34,841.9m, mainly due to the transfer of funds from savings accounts and current accounts. Another important driver of term deposit growth during the year was the transfer of cash from investment funds affected by downturn in the equity and bond markets due to increased uncertainty around the geopolitical and macroeconomic situation.

Deposits from enterprises and the public sector increased by 12.0% YoY to PLN 88,569.5m as a consequence of a rise of 105.6% YoY in term deposits to PLN 21,605.6m and a fall of 4.0% YoY in current deposits to PLN 62,895.6m.

Share price of Santander Bank Polska S.A.

2022 was a very challenging year for the WSE, notably the banking sector. WIG-banks index saw nearly 28% repricing. The share price of Santander Bank Polska S.A. decreased by 26% in the same period and it was not until Q4 that it managed to improve its quotations. The Bank's share price was highest on 12 January (PLN 385) and lowest on 10 October (PLN 191.70). This performance was primarily the effect of adverse economic developments following the outbreak of the war in Ukraine. Galloping inflation and resulting interest rate hikes no longer supported the valuation of Polish banks' stock, after payment deferrals were introduced by the government.

Rating

Santander Bank Polska S.A. has bilateral credit rating agreements with Fitch Ratings and Moody's Investors Service.

On 5 August 2022, Fitch Ratings placed the Viability Rating (VR) of Santander Bank Polska S.A. on Rating Watch Negative (RWN), and on 14 September 2022 it downgraded it to "bbb" from "bbb+" and removed it from RWN. At the same time, the agency affirmed the Bank's long-term Issuer Default Rating (IDR) at "BBB+" with a stable outlook.

The downgrade of the Bank's VR reflected the increased pressure on the Bank's credit profile from its operating environment in relation to government intervention in the Polish banking sector.

According to Fitch Ratings, both IDR and SSR of the Bank were driven by a high probability of support from its parent, Banco Santander S.A. (A-/Stable/a-), 2nd largest bank in terms of capitalisation in the eurozone and 37th globally (as at the end of December 2022).

VR of Santander Bank Polska S.A. reflects the Bank's solid capital position, healthy funding and liquidity, recurring earnings and good asset quality on the one hand and a significant exposure to risks from the economic environment on the other. Costs of legal risk connected with the foreign currency mortgage portfolio additionally weigh on the Bank's profitability.

On 20 December 2022, Moody's Investors Service affirmed the ratings of Santander Bank Polska S.A. in the aftermath of interventionist government measures (including payment deferrals on foreign currency mortgage loans and higher contributions to the Borrowers Support Fund) adversely affecting investor sentiment and financial performance of the Polish banking sector starting from Q3 2022. In consideration of the above, the agency lowered the macro profile of Poland, an assessment of banks' propensity to fail, by one notch from "strong-" to "moderate+". Furthermore, Polish banks, particularly entities with CHF mortgage loan portfolios, are more exposed to risk due to the weakening macroeconomic environment.

The agency affirmed all short-term and long-term ratings and assessments of Santander Bank Polska S.A. and maintained a stable outlook on the long-term deposit ratings.

The long-term deposit rating with stable outlook at A2 and BCA and Adjusted BCA at baa2 and baa1, respectively, reflect high likelihood of affiliate support from Banco Santander S.A. At the same time, the Bank's capitalisation (even after profit distribution) and profitability provide a sufficient risk absorption capacity. The Bank's strong income generation capacity is expected to more than compensate for potential adverse implications from higher costs (including cost of legal risk and litigation) and expected credit loss allowances. While the external environment may negatively affect asset quality, the Bank can boast a lower-than-sector average NPL ratio, a solid NPL coverage ratio and a low share of CHF mortgage loans in the total loan book (4%).

2. Assessment of the internal control system

.At the meeting in February 2023, the Supervisory Board performed the annual adequacy and effectiveness assessment of the internal control system in Santander Bank Polska S.A. for 2021, including annual assessment of the adequacy and effectiveness of the control function, compliance unit and the internal audit unit, taking into account in particular:

- the Audit and Compliance Committee's opinion presented at the Supervisory Board meeting;
- the information obtained from the Bank's Management Board about delivery of the tasks referred to in recommendations 1.1–1.6.; the KNF's Recommendation H;
- periodical reports of the compliance unit and internal audit unit as well as information from subsidiaries, including information reported by Chairmen of the Audit and Compliance Committee and the Risk Committee based on the reviews made by these Committees;
- findings of the statutory auditor, including those presented when discussing the report from the audit of the financial statements;
- findings from supervisory activities performed by authorised institutions, including findings and recommendations from the KNF issued after the supervisory review and evaluation process (BION);
- assessment of adequacy and effectiveness of the internal control system and the risk management system presented by the Internal Audit Area.

Pursuant to the Statutes, the Bank has an internal control system in place which supports the decision-making processes and contributes to the Bank's efficient operations, compliance with risk management rules, reliability of financial reporting as well as compliance with law, international standards, internal regulations and best practice.

The Supervisory Board positively assessed the Bank's internal control system (including the control function, compliance unit and internal audit unit) and deemed it adequate and effective, adjusted to the Bank's organisational structure, risk management system as well as to the size and complexity of the Bank's business. It covers all units across the Bank as well as its material subsidiaries, i.e. Santander Leasing S.A., Santander Factoring sp. z o. o. and Santander Towarzystwo Funduszy Inwestycyjnych S.A. The internal control system covers all significant controls, including those related to financial reporting and operational activity of the Bank and its subsidiaries.

The Bank's Management Board is responsible for designing and implementing an effective and adequate internal control system for all organisational units and positions in the Bank, including the control function, the compliance unit and the internal audit unit. The Management Board also ensures the independence, financial resources and validity of procedures in this respect, and sets criteria for assessing the adequacy and effectiveness of the internal control system.

The Management Board ensures that its subsidiaries have an internal control system in place. Subsidiaries deemed material have adequate internal regulations and a documented internal control model, within which elements such as tasks, functions and controls are described and managed. These elements are subject to an annual assessment and certification process.

The internal control system of Santander Bank Polska Group takes into account the solutions used by Santander Group. The Bank's Management Board ensured conformance of the system with the national legislation and Recommendation H, which is evidenced by a documented analysis certifying such conformance (mapping of the adopted system to respective recommendations contained in Recommendation H).

The internal control system comprises:

- a) the control function responsible for ensuring that control mechanisms, in particular those related to risk management, are observed; it may include individual positions, groups of employees or organisational units;
- b) the compliance unit responsible for identification, assessment, control and monitoring of the risk of the Bank's non-compliance with laws, internal regulations and market standards, and for presentation of reports in that respect;
- c) the independent internal audit unit responsible for autonomous and impartial assessment of the adequacy and effectiveness of the risk management system and the internal control system (except for the internal audit unit).

The control function is an element of the internal control system and comprises:

- a) all control mechanisms in the Bank's processes, including those defined by the organisational units as part of the Operational Risk Self-Assessment;
- b) independent horizontal and vertical monitoring of adherence to those control mechanisms (including ongoing verification and testing); controls subject to independent monitoring are covered by the Group Internal Control Model;
- c) reporting as part of the control function.

The Bank's Management Board takes regular measures to ensure the continuity of the properly designed and implemented internal control system. It also ensures proper interaction between all employees of the Bank within the control function and their collaboration with the compliance and the internal audit units and makes sure that employees of those units have access to the required source documents, including documents that contain classified information subject to professional secrecy.

If deficiencies are identified by the internal control system, the Bank's Management Board takes adequate actions to eliminate them, including corrective and disciplinary measures.

The Management Board also ensures that the internal control system is designed, introduced and operated by Santander Bank Polska Group entities and that it is adequately adjusted to the risk management system, the organisational structure as well as the size and complexity of the Group's operations. The system covers all units across the Bank and its subsidiaries. In particular, the following is taken into account when ensuring the adequacy and effectiveness of the internal control system of Santander Bank Polska Group:

- a) the complexity of the processes in place;
- b) available resources;
- c) the risk of deficiencies occurring in particular processes, including significant processes;
- d) assessment of the adequacy and effectiveness of the first, second and third line of defence.

The Bank's Management Board defined the following criteria for assessing the adequacy and effectiveness of the internal control system that were approved by the Supervisory Board:

- a) performance against the objectives of the internal control system;
- b) application of controls as part of independent monitoring of key control mechanisms defined in the Control Function Matrix;
- c) delivery of control plans in relation to the processes which are not covered by the Control Function Matrix but are covered by the Group Internal Control Model;
- d) timeliness and efficiency of remediation and disciplinary actions.

The analysis of the criteria confirmed that the internal control system of Santander Bank Polska Group is adequate and effective. 78¹ deficiencies were identified. None of them was critical. There are two deficiencies classified as significant². Continued focus is placed on timely implementation of remediation actions defined for deficiencies as part of the annual assessment and certification process.

When assessing the control function, the Supervisory Board also took into account the manner in which the Bank's Management Board discharged the duties referred in part B of the KNF's Recommendation H.

The internal control and risk management systems are based on the three lines of defence.

- The first line of defence includes management of risks in the Bank's operational activity and comprises business units which, as part of their day-to-day business, generate risks that affect achievement of the Bank's objectives. The first line of defence includes activities carried out by each employee with respect to quality and correctness of the tasks performed, assessment of the adherence to the procedures and responding to any identified irregularities. In addition, the first line of defence receives assessments, information and analyses of the unit responsible for risk management regarding risk exposure and takes them into account in risk management, including in decision-making processes. Nevertheless, the management of the business units are responsible for business decisions in the first line of defence, and ultimately the Management Board in accordance with its competences.
- The second line of defence involves risk management by employees in dedicated roles or organisational units and the operations of the compliance unit. Risk management as part of the second line of defence is independent from risk management in the first line of defence. The second line of defence is formed by functions which support the Bank's executives in risk identification and management by providing the relevant tools, internal regulations and mechanisms for managing, monitoring, ongoing verification, testing and reporting risk as well as specialised functions which assess the effectiveness of the first line controls. The second line of defence is also responsible for vertical monitoring, including ongoing vertical verification and vertical testing. The purpose of vertical monitoring is to verify whether the first line of defence applies the required controls.
- The third line of defence is the Internal Audit Area, whose activity is supervised by the Audit and Compliance Committee of the Supervisory Board. The Internal Audit Area ensures independent and objective examination and assessment of control mechanisms applied by the first and second lines of defence and the Bank's management system, including the effectiveness of managing the risk related to the Bank's business. To that end, the Internal Audit Area verifies whether Santander Bank Polska Group's risks are adequately covered, as required by the applicable management policies, procedures and internal and external regulations. Using its own risk matrix and knowledge, the Internal Audit Area regularly assesses existing and future risks across the Bank and Santander Bank Polska Group, and develops annual audit plans to cover such risks. They also take into account the priorities defined by the Bank's management, the Audit and Compliance Committee, the external auditor and banking supervision authorities.

¹ As at January 16, 2023, for Santander Bank Polska S.A. Group.

² Due to the RIA recommendation for irregularities identified during the AML process audit (AUD8815 Report from anti money laundering SBP) and RIA recommendation issued as a result of audit AUD8786 Trade & Communication Surveillance regarding strengthening the supervision of voice and text communication in all authorized communication channels.

The Supervisory Board oversees the implementation and maintenance of the internal control system. It performs annual adequacy and effectiveness assessment of the internal control system, including annual assessment of the adequacy and effectiveness of the control function, compliance unit and the internal audit unit, taking into account in particular:

- a) opinion of the Audit and Compliance Committee,
- b) the information from the Bank's Management Board on the manner of discharging these duties,
- c) periodical reports of the compliance unit and internal audit unit,
- d) information significant from the point of view of adequacy and effectiveness of the Internal Control System obtained from Santander Group and subsidiaries;
- e) findings of the statutory auditor;
- f) findings of audit and control activities carried out by authorised institutions;
- g) any reviews and opinions issued by third parties which are significant from the point of view of adequacy and effectiveness of the Internal Control System.

The Supervisory Board receives current and accurate information on identified deficiencies and on the measures taken to eliminate them, on the extent of compliance with internal and external regulations and on adequacy and security of the IT systems.

The Supervisory Board monitors the effectiveness of the Internal Control System based on the information obtained from the compliance unit, internal audit unit, the Bank's Management Board and the Audit and Compliance Committee.

The results of controls and assessment of control effectiveness are taken into account and used to improve the existing processes, data security and the Bank's infrastructure by making relevant changes to internal processes and regulations. They are regularly verified by the Internal Audit Area.

The Audit and Compliance Committee of the Supervisory Board is informed about the results of assessing the risk of failure to comply with the overall objectives of the Internal Control System. The analysis of the design and effectiveness of controls made in 2022 concluded that the weaknesses identified had a little impact on the delivery of the internal control objectives.

In 2022, the number of outstanding deficiencies was significantly higher than reported in 2021 (39 in 2021 vs 78 in 2022). The aforementioned increase results mainly from Polish Financial Supervision (KNF) recommendations established after the inspection in 2022 and affecting the Internal Control System. The ongoing focus of cooperation with the first line of defence is on a proactive approach and the need to address areas for improvement on an ongoing basis. Nonetheless, this is still a low number of deficiencies relative to the total number of controls (78 out of 1936, i.e. 4.03% outstanding as at 2022YE) which confirms the maturity of the Group's Internal Control System and the effectiveness of the Santander Bank Polska S.A. controls in place.

Among others, the Internal Control System addresses the Bank's compliance with:

- Sarbanes-Oxley Act;
- Volcker Rule (section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act);
- requirements of RDA/RRF (Basel Committee on Banking Supervision 239: Principles for effective risk data aggregation and risk reporting);
- KNF's Recommendation A on management of risk embedded in derivative transactions concluded by banks – e.g. by establishing a relevant control in the Financial Risk Department;
- KNF's Recommendation B on limitation of the banks' investment risk – e.g. by establishing controls in the Corporate Development Office and Financial Risk Department;
- KNF's Recommendation C on concentration risk – e.g. by establishing controls in the Risk Control and Consolidation Department;
- KNF's Recommendation D on managing IT areas and ICT security in banks – e.g. by establishing controls in the Operational Risk Management and Internal Control Department, IT Security and Technology Risk Management Department and Cybersecurity Department;
- KNF's Recommendation G on interest rate risk management in banks – e.g. by establishing controls in the Assets and Liabilities Management Department and Financial Risk Department;
- KNF's Recommendation H on the internal control system in banks – e.g. by establishing controls in the Operational Risk Management and Internal Control System and Compliance Area;
- KNF's Recommendation I on FX risk management in banks and rules for making FX risk bearing operations by banks – e.g. by establishing controls in Tribe Payments Building Block, Assets and Liabilities Management Department and Financial Risk Department;
- KNF's Recommendation M on operational risk management in banks – e.g. by establishing controls in the Operational Risk Management and Internal Control Department;
- KNF's Recommendation P on liquidity management in banks – e.g. by establishing controls in the Assets and Liabilities Management Department and Financial Risk Department;
- KNF's Recommendation R on the rules for identifying impaired balance sheet credit exposures, setting: impairment allowances on balance sheet credit exposures and provisions for off-balance sheet credit exposures – e.g. by establishing controls in the Risk Control and Consolidation Bureau, Risk Intelligence Department for Business Portfolio Management and Risk Intelligence Department for Retail Portfolio Management;

- KNF's Recommendation S on best practice in the management of mortgage-backed credit exposures – e.g. by establishing controls in the Risk Intelligence Department for Business Portfolio Management and Risk Intelligence Department for Retail Portfolio Management;
- KNF's Recommendation T on best practice in the management of risk of retail credit exposures – e.g. by establishing controls in the Risk Intelligence Department for Retail Portfolio Management;
- KNF's Recommendation U on the best practice in bancassurance – e.g. by establishing controls in the Bancassurance Area;
- KNF's Recommendation W on model risk management in banks – e.g. by establishing controls in the Risk Control and Consolidation Department, Risk Intelligence Department for Business Portfolio Management and Risk Intelligence Department for Retail Portfolio Management, Financial Risk Department and Business Intelligence Tribe, Validation and Model Risk Department.

One of the key objectives of the internal control system is to ensure full accuracy and credibility of financial reporting.

Preparation of financial data for the purpose of reporting is automated and based on the consolidated General Ledger and Data Warehouse. The underpinning IT systems are regularly reviewed and tested in terms of conformity to IT architecture and cybersecurity requirements and strictly controlled in terms of integrity and security of information.

Data inputs in the source systems are subject to formal operational and approval procedures which define the responsibilities of individual staff members. Data processing for the purpose of financial reporting is subject to a suite of specialist internal controls whose objective is to monitor and test the correctness and accuracy of data. Any manual corrections or management overrides are also under strict control. Santander Bank Polska Group has a business continuity plan in place, which covers all IT systems used to prepare financial reports. The plan is updated on an ongoing basis.

In order to manage risk associated with the preparation of financial statements, the Bank tracks legal and regulatory changes related to reporting obligations for banks and updates its accounting rules and disclosures accordingly. The Bank, through its representatives sitting on supervisory boards of individual subsidiaries, exercises oversight of its consolidated subsidiaries.

Financial statements are approved by the Disclosure Committee, which is responsible for ensuring that the financial disclosures of Santander Bank Polska Group comply with all legal and regulatory requirements before they are released. Annual reports on operations of the Disclosure Committee are subject to a review by the Audit and Compliance Committee of the Supervisory Board.

The Audit and Compliance Committee of the Supervisory Board reviews Financial Statements, Management Board Report on the Santander Bank Polska Group's Performance and additional reports (such as information on capital adequacy) prepared as part of financial reporting on a half-yearly and yearly basis, and submits them to the Supervisory Board for acceptance/ approval. As part of its reviews, the Audit and Compliance Committee gets acquainted with the outcome of external auditor's work (both review and audit of financial statements), in particular with key risks within the scope the auditor's analysis and conclusions arising from audit engagements.

In the Supervisory Board's opinion, the controls implemented in the Bank effectively minimize the risk of significant deficiencies in reporting processes, including in particular financial reporting. The confirmation of the effectiveness of control mechanisms related to reporting process is additionally assessment as part of annual certification process, including an independent assessment of an external auditor related to compliance with the Sarbanes-Oxley Act.

Detailed information on the assessment made by the Supervisory Board with regard to compliance (including the adequacy and effectiveness of the compliance unit and the compliance risk management system) as well as with regard to the adequacy and effectiveness of the internal audit unit and the risk management system is presented below in points 3 – 5.

3. Assessment of compliance

The assessment was based on reports on the activity of the compliance unit submitted to the Audit and Compliance Committee, opinions of the Audit and Compliance Committee, meetings and discussions between Supervisory Board members and the head of the compliance unit, as well as own analyses of reports, including by the IAA, of the unit's operations.

The applicable compliance risk management system covers the units listed below together with their scope of responsibilities:

- Compliance unit – compliance with legal and regulatory requirements in individual areas of the business activity, in particular with regard to: protection of consumer rights, implementation and sale of new products, prevention of money laundering, ethical issues, protection of confidential information, and management of conflicts of interest.
- Specialist units dedicated to identifying and interpreting other legal and regulatory requirements that the Bank is obliged to fulfil as a legal entity (labour regulations, tax and reporting, prudential standards, counteracting money laundering).
- Specialist committees that are supervised by the Risk Management Committee.

The Santander Bank Polska Compliance Policy adopted by the Management Board and approved by the Supervisory Board provides the compliance unit with a mandate to effectively support the process of managing compliance risk that includes the following risk categories: regulatory risk, conduct risk, reputational risk, financial crime risk.

In February 2023, the Supervisory Board conducted the overall review and assessment of the compliance unit for 2022.

The Supervisory Board stated that:

- The compliance unit is a function independent from any other function or unit whose activities support the Bank's Management Board, Supervisory Board and other members of senior management with regard to the discharge of regulatory obligations and approval of internal control principles and compliance policy framework.
- The independence of the compliance unit is confirmed to the Management Board and to Audit and Compliance Committee on an annual basis and is ensured in particular by the following:
 - The compliance unit's direct reporting line to the bank director in charge of the Legal and Compliance Division who was empowered by the Management Board President to supervise the compliance risk and who was not vested with powers referred to in Article 22a(4) and (6)(2) of the Banking Law;
 - a direct and unlimited access of the compliance unit's head to the Chairman of the Audit and Compliance Committee and his participation in all meetings of that committee and the Risk Committee; holding, at least once a year, a meeting with the Audit and Compliance Committee by the compliance unit's head in absence of the Management Board members;
 - participation of the unit's head in meetings of the Management Board and his membership in the Risk Control Committee and Risk Management Committee (without voting rights in either of the bodies) which provides him with a full insight into their operations bodies and an opportunity to express his opinion;
 - a detailed procedure for appointing and removing the unit's head;
 - unlimited access of the compliance unit to all information, documents, systems, applications and physical locations necessary to properly perform its tasks;
 - reports presented directly by the compliance unit to the Management Board and the Audit and Compliance Committee/ Supervisory Board; The reports are delivered periodically to all these bodies.
- Compliance risk management is adequate and effective given the scale of the Bank's business. The compliance unit has sufficient resources, knowledge and experience to carry out the duties set out in the Compliance Programme. Please note that high volatility of the regulatory and business environment of the financial sector requires a continued optimisation and automaton of compliance processes. Employee skills are continuously upgraded by participation in specific subject matter training.
- The compliance unit's regulations are adequate, taking into account the applicable law, the Bank's internal regulations, supervisory recommendations and requirements of the KNF's Recommendation H.
- As a part of mandatory, independent testing, the compliance unit carried out controls in line with the annual testing plan, which is a part of the Compliance Programme:
 - the annual testing plan is based in particular on the risk assessment and legal requirements;
 - The compliance unit's testing plan for 2022 covered all necessary issues and ensured an independent and objective manner of reviewing and assessing controls applied as part of the first and second line of defence in terms of compliance risk;
 - The tests did not identify any significant or critical risks; All other identified risks were addressed to the controlled units and action plans were prepared to mitigate those risks.
- The compliance unit is periodically audited by the Internal Audit Area.

The assessment took also into account that each quarter, as part of the compliance risk management process, the Audit and Compliance Committee reviews key compliance issues identified by the compliance unit as well as those arising from the unit's business as usual. Information in this respect as well as the Committee's opinions and recommendations are presented to the Supervisory Board as part of the Committee's report.

4. Assessment of the internal audit function

The Supervisory Board assessed the adequacy and effectiveness of the internal audit function based on the reports on the performance of the Internal Audit Area (IAA) provided to the Audit and Compliance Committee, opinions of the Audit and Compliance Committee, meetings and discussions between Supervisory Board members and the Chief Audit Executive, and own analyses of reports of the function's performance.

At its meeting in February 2022, the Supervisory Board conducted the overall review and assessment of the internal audit function.

As a result, the Supervisory Board stated that:

- The internal audit function is adequate and effective.
 - The IAA regulations in place are adequate, effective and compliant with applicable laws, the Bank's internal regulations, supervision authority's recommendations and market standards adopted in the Bank. The IAA operates in line with the International Professional Practices Framework (IPPF) for Internal Auditing issued by the Institute of Internal Auditors which was confirmed by an independent external assessment carried out in 2019. The assessment remains valid.
 - The internal audit methodology reflects the current professional standards and allows for identification of significant risks in Santander Bank Polska Group.

- The annual audit plan is developed on the basis of comprehensive risk assessment and precisely defines the objectives and scope of audit engagements. The audit plan takes into account requirements both of the top management of the Bank (Supervisory Board and Management Board) and the regulator. Moreover, as part of an annual risk assessment, the strategic and operational audit plan was developed.

The Supervisory Board assessed the adequacy and effectiveness of the internal audit function based on the reports on the performance of the Internal Audit Area (IAA) provided to the Audit and Compliance Committee, opinions of the Audit and Compliance Committee, meetings and discussions between Supervisory Board members and the Chief Audit Executive, and own analyses of reports of the function's performance.

At its meeting in February 2023, the Supervisory Board conducted the overall review and assessment of the internal audit function.

As a result, the Supervisory Board stated that:

- The internal audit function is adequate and effective.
 - The IAA regulations in place are adequate, effective, up-to-date and compliant with applicable laws, the Bank's internal regulations, supervision authority's recommendations and market standards adopted in the Bank. The IAA operates in line with the International Professional Practices Framework (IPPF) for Internal Auditing issued by the Institute of Internal Auditors which was confirmed by an independent external assessment carried out in 2019. The assessment remains valid.
 - The internal audit methodology reflects the current professional standards and allows for identification of significant risks in Santander Bank Polska Group.
 - The annual audit plan is developed on the basis of comprehensive risk assessment and precisely defines the objectives and scope of audit engagements. The audit plan takes into account requirements both of the top management of the Bank (Supervisory Board and Management Board) and the regulator. Moreover, as part of an annual risk assessment, the strategic and operational audit plan was developed.
 - In the opinion of the Bank's Management Board and the Audit and Compliance Committee, the Audit Plan for 2022 covered all significant issues and ensured an independent and objective review and assessment of controls applied as part of the first and second line of defence as well as of the Bank's management system, including the assessment of effectiveness of managing risk related to the Bank's operations. Moreover, audit findings are used to improve the existing processes and security of operations.
 - The policies and practices for monitoring the quality of internal audit work are adequate and comply with professional standards and the approved methodology. The quality assurance report is presented to the Supervisory Board, the Management Board and the Audit and Compliance Committee on an annual basis.
 - The IAA strategy for 2022-2024 was developed adequately and duly and reflects the need to cover the Bank's key strategic directions by audit engagements.
- Audit findings indicating weaknesses in internal controls and risk management are presented in audit reports and represent a basis for issuing recommendations aimed at elimination of these weaknesses by the audited units.
- Each time, the IAA verifies actions taken by the audited units in response to audit recommendations as well as progress in delivering them. The status of implementation of the recommendations is monitored and reported to the Bank's Management Board, the Audit and Compliance Committee and the Supervisory Board on a regular basis. Audit findings are regularly presented at the meetings of the Management Board, the Audit and Compliance Committee and Supervisory Board.
- The IAA presentation to the Supervisory Board (on 23 February 2023) included the assessment of the internal audit function in terms of adequacy and effectiveness of the internal control and risk management system as part of the summary of the IAA's activity in 2022. This information was also provided to the Audit and Compliance and the Management Board.
- The internal audit is a permanent function, independent of any other functions or units whose objective is to provide the Management Board, the Supervisory Board and other senior management with independent assurance on the quality and effectiveness of internal control, risk management (current or emerging) and governance processes and systems, thereby helping to protect the Bank's value, solvency and reputation.
- Its independence is confirmed every year to the Management Board, the Audit and Compliance Committee and the Supervisory Board and is ensured by the following:
 - In line with the Bank's Statutes, the Internal Audit Area reports directly to the President of the Management Board. The Audit and Compliance Committee supervises the activity of the internal audit function.
 - The Chief Audit Executive has direct and unlimited access to the Chairman of the Audit and Compliance Committee and participates in all meetings of that committee and the Risk Committee. At least once a year, the Chief Audit Executive holds a meeting with the Audit and Compliance Committee in absence of Management Board members.
 - The Chief Audit Executive participates in meetings of the Management Board and is a member of the Risk Control Committee and Risk Management Committee (without voting rights in either). Thanks to that he has a full insight into the operations of those governing bodies and an opportunity to express his opinion.

- A detailed procedure of appointing and removing the Chief Audit Executive is in place.
- IAA employees have unlimited access to all information, documents, systems, applications and premises required to perform their engagements.
- The Internal Audit Area has sufficient resources to carry out its duties:
 - Audit plans define both the number of auditors as well as adequacy of their skills. The Chief Audit Executive reviews the human resources in place on a regular basis (at least once a year) in order to ensure their adequacy.
 - Auditors keep improving their skills through professional certifications.
 - The Chief Audit Executive presents the proposed annual budget of the internal audit function for approval to the Audit and Compliance Committee.
 - Remuneration of IAA employees and their performance against training plans is reported on a regular basis to the Audit and Compliance Committee for review. Conclusions from the review are submitted also to the Bank's Management Board and Supervisory Board.

5. Assessment of the risk management system

At its meeting in February 2022, the Supervisory Board conducted the overall review and assessment of the risk management system of Santander Bank Polska, taking into account in particular:

- opinions presented by the Risk Committee at the meeting of the Supervisory Board,
- the information obtained from the Management Board with regard to performance of the risk management system,
- reports on risk management in individual units and information from subsidiaries, including information reported by Chairpersons of the Audit and Compliance Committee, and the Risk Committee based on the reviews made by these Committees,
- findings from supervisory activities performed by authorised institutions, including findings and recommendations from the KNF issued after the issue inspection;
- assessment of adequacy and effectiveness of the internal control system and the risk management system presented by the Internal Audit Area as well as internal audit reports.

The Supervisory Board assessed the Bank's risk management system positively as adequate and effective,

Key rules for risk management, compliant with requirements of Regulators, are defined in the "Strategy for Risk Management" (updated annually). The strategy was determined by the Management Board and approved by the Supervisory Board. In line with the Strategy, the Bank has an integrated risk management framework ensuring that all risks having material impact on the Bank's operations are identified, measured, monitored, and controlled. The risk management structure is adequate versus the size of the Bank and the risk it is exposed to. It is also being optimised on an ongoing basis, and adjusted to the changing external environment.

The risk management strategy is set by the Management Board of the Bank and its supporting committees: Risk Management Committee (RMC) and the Risk Control Committee (RCC) overseeing the activity of other committees having authority delegated by the Management Board to manage particular risks. The fact that members of the Management Board and senior management sit on key Committees ensures and confirms the engagement of senior management in the risk management of the Bank as representatives of both first and second line of risk management. The Management Board member in charge of Risk Management Division is assigned the function of the Chief Risk Officer (CRO) and is responsible for providing the Management Board and Supervisory Board with comprehensive information on the risk level, thanks to which they can make adequate decisions.

The responsibility for the management of individual risks was split between the Bank's organizational units that are supported by dedicated Committees. The comprehensive risk management is based on three lines of defence, where:

- the first line is made up by the units taking risk in their activity,
- in the second line, there are established special organizational units dedicated to control and report risk, i.e. to monitor risk levels on an ongoing basis as well as develop risk management standards,
- the third line is the internal audit unit, which reviews the adequacy and effectiveness of the first and second lines.

The Bank takes up numerous activities aimed at promoting the principles of risk culture, including raising awareness of the necessity for risk management and realising the responsibility of each employee in this regard. In order to achieve that, there are published appropriate articles in the intranet, employees are obliged to do dedicated e-learnings, there are organised competitions and risk management promoting campaigns, and every employee gets an annual objective related to this area.

The Bank has implemented methodologies and processes supporting identification and assessment of risks to determine their potential impact on the Bank's operations now and in the foreseeable future. With a view to identifying and assessing risks for the entire organisation, the following reviews are carried out regularly:

- Review of material risks as part of the Internal Capital Adequacy Assessment Process (ICAAP),
- Top Risks review as part of Risk Profile Assessment exercise,
- Risk Control Self-Assessment (RCSA).

The identified risks are managed with the use of policies, best practice, and appropriate tools to keep them at an acceptable level.

The Bank uses various risk assessment and measurement techniques depending on the risk type and materiality. These techniques are consistent with the approach of Banco Santander Group and leverage the best practice of the parent, a leader in the banking sector.

The Bank aims at keeping the right risk/reward balance. The process of risk management assumes support for the Bank's development strategy, while retaining best in class risk management standards and compliance with the regulatory environment. One of the essential elements of risk management in Santander Bank Polska S.A. is defining and regular monitoring of the risk levels that the Bank is ready to accept in its day-to-day business (the so-called risk appetite). Risk appetite is expressed as quantitative limits and captured in the Risk Appetite Statement of Santander Bank Polska Group agreed by the Management Board and approved by the Supervisory Board. The Bank conducts a detailed review of the limits with regard to the existing and potential risks, market conditions as well as the financial and capital plan at least once a year. Stress testing and scenario analyses represent the key tools used to analyse the limits and ensure that the Bank retains an adequate capital position and liquidity even in extreme and severe circumstances.

The Bank has in place a consistent and transparent system aimed at monitoring and reporting risk levels and excesses against defined limits. The reporting system is defined in detail by the Bank's internal regulations (especially within the Management Information System) and covers key management levels. The Supervisory Board receives regular reports assessing the level of identified risks and periodical assessments of the effectiveness of actions taken by the Bank's Management Board. The key report is the monthly Risk Dashboard (also known as Unit Report), presented by the second line of defence to the Risk Control Committee (Management Board level) as well as to Risk Committee (Supervisory Board level). The report contains key indicators for particular risks identified in the Bank's activity, the usage of internal limits resulting from Risk Appetite, risk forecast, actions being taken, etc.

Priorities in 2022

In 2022, the importance of geopolitical risks in risk management processes increased considerably due to the outbreak of the war between Russia and Ukraine. This risk is identified both in the Bank's activities and in relation to its loan book and financial assets. The identification process consists in defining and assessing potential material risks that can threaten the delivery of business plans at Santander Bank Polska S.A. Both first and second line of defence units are involved in this process. As part of special situation management the Bank closely monitors external developments and their impact on the Bank's operations. The Bank continuously monitors key threats related to the conflict to ensure that it has appropriate controls in case of materialisation of different scenarios and is fully prepared to minimise potential consequences of emerging risks. To test its preparedness for the armed conflict scenario, the Bank performed a series of workshops and analyses, as well as practical testing of the scenario of electricity supply shortages. Special situations management committees, as part of their ongoing work, take decisions regarding financial liquidity, legislative support, public programmes, cybersecurity, physical security, etc. New sanction regulations and their implementation are constantly monitored and their impact on the Bank's operations is regularly assessed.

The Bank also regularly monitors its credit portfolio in terms of the impact of the geopolitical situation on the performance of borrowers in individual segments. The impact of customers doing business directly in Russia, Ukraine and Belarus is not significant. However, the war is expected to have a more severe impact on macroeconomic trends in a medium- to long-term perspective, which may affect the risk level of the portfolio.

6. Assessment of reasonableness of expenditure on non-core business activities incurred by Santander Bank Polska S.A.

In 2022, Santander Bank Polska S.A. ran a variety of sponsorship, image-building and charity projects to support education (including financial education), culture, sports, environmental protection, charity initiatives and statutory activities of foundations, chambers and associations.

These activities are undertaken in accordance with the Bank's Sponsorship and Corporate Giving Policy, whose rules are set out in the document "Sponsorship strategy and action plan of Santander Bank Polska S.A." The directions in this regard are also set in the Responsible Banking Strategy and the Sustainability Policy. The following units are responsible for undertaking activities in accordance with the above-mentioned documents: the Public Relations Department and Santander Bank Polska Foundation, which operates in line with its Statutes.

For many years, the Bank and Santander Bank Polska Foundation have been consistently focusing on long-term projects and programmes that offer a chance to reach a wider audience and create positive associations between the Bank/ the Foundation and the initiative. They also generate synergies that can be used in communication or relationship-building initiatives aimed at employees, customers and local communities.

All projects are intended to strengthen the Bank's image as the best commercial bank in Poland and a trustworthy, socially responsible and economically resilient institution with a nationwide footprint. The projects centre around such themes as:

- education with the focus on financial and climate-related education – projects addressed to various target groups (as an element of the Responsible Banking and ESG agenda, investments for the future and building social awareness);
- environmental protection, care about ecosystems and climate balance;
- sport as a tool for bringing together local communities and promoting active life style and fair play rules;
- promotion of culture among various audiences, supporting young talents;
- projects impacting local communities (creating partnerships, building engagement of employees through corporate volunteering).

Assessment of reasonableness of expenditure

In 2022, the initiatives focused mainly on education, in particular financial education, sport, culture and environmental protection. Apart from long-term projects, the Bank progressed new initiatives that involved experts from different areas of the Bank, helping the Bank strengthen its image as a corporate citizen. The Bank was also actively involved in the promotion and communication activities related to the two new global sponsorship projects of Santander Group: partnerships with Scuderia Ferrari and League of Legends European Championship (LEC).

In the opinion of the Supervisory Board, the expenditures on sponsorship, image-building and charity initiatives were reasonable, prudent and well considered. The Bank consistently focused on specific important areas and did not engage in any ad-hoc initiatives which do not dovetail with the Bank's strategy. The projects were selected in a reasonable way, having regard to both the Bank's image and cost effectiveness, while ensuring maximum promotional benefits for the Bank. This approach enables the Bank to build and strengthen its image as a socially responsible, trustworthy and committed institution, enhancing its reputation and prestige among all stakeholders: shareholders, customers and employees. These values are very important for positioning Santander's brand and boosting its awareness.

The key projects in 2022:

In 2022, Santander Bank Poland has been actively involved in local promotion and communication of two new global, image-building sponsorship projects of the Santander Group:

- In December 2021, Banco Santander S.A. became one of the premium partners of Scuderia Ferrari. Banco Santander had already played a part in Formula 1 from 2007 and 2017, and since 2010 it has successfully cooperated with Scuderia Ferrari. Since the start of the 2022 season, Santander logo has featured prominently on the team's cars, race suits and caps. Over the term of the partnership, Santander will offer Scuderia Ferrari a wide range of solutions to support the team's efforts to become carbon neutral by 2030. In 2022, Santander Group and Formula 1® launched a global programme targeted at start-ups and scale-ups from 11 countries (Germany, Argentina, Brazil, Chile, USA, Spain, Mexico, Portugal, Poland, UK and Uruguay). The programme aims to develop innovative and sustainable solutions for the automotive sector in various areas: mobility, logistics and transport, as well as carbon offsetting. In 2022 Santander X Global Challenge | Countdown to Zero competition was held.
- In 2022, Banco Santander S.A. signed a multi-year partnership agreement with the League of Legends European Championship (LEC), becoming the main sponsor of League of Legends in Europe and Latin America (the most successful eSports worldwide). The League of Legends European Championship (LEC) started in January 2019 and is today the most watched eSports league in Europe. The partnership agreement with LEC introduces Santander to global eSports ecosystems will help it promote innovation, diversity and digitalisation. Under the slogan 'Level up your dreams', the Santander Group wants to build a new community to help the younger generations succeed.

In addition, Santander Bank Poland has carried out many other sponsorship and image-building projects. The most important of these are:

- "Finansiaki" is the Bank's project aimed to support development of educational capabilities of parents and teachers in the area of finance and entrepreneurship by providing relevant materials (which comply with the core curriculum of kindergartens and primary schools). The project is embedded in the Bank's Responsible Banking strategy. The key element of the project is the internet portal <https://finansiaki.pl/>, certified as a barrier-free website. It was launched in December 2016 and can be accessed via mobile devices. In 2022, the page views reached 31,030. The programme is accompanied by financial education classes run in kindergartens and primary schools as part of employee corporate volunteering; a free guide for parents on how to teach entrepreneurship to children aged 3–14: "Finansiaki. To My!", also available online on [Finansiaki.pl](https://finansiaki.pl/); "Finansiaki to My" in social media: on Facebook (since December 2020) and on Instagram (since February 2022), including tips for parents and teachers on how to talk with children about finance in a simple and fun way. In 2022, the Bank implemented a number of initiatives to promote the project and raise awareness of financial education, including a series of 10 "Financial Games" workshops promoting financial education for teenagers, students of primary school grades 5-8 and the wide-ranging educational campaigns "Financial ABC, or how to talk to children about money" with Onet.pl as well as with naTemat.pl and mamaDu.pl.
- The Bank was a titular partner of the series of podcasts on finance called "Let's talk about HER money" powered by Santander. The series comprised five thematic seasons, 25 episodes hosted by Magdalena Linke-Koszec, an author of Her Impact – a platform that helps ambitious, entrepreneurial women to discover their potential. The host, together with experts from various sectors (including the bank), discussed broadly understood financial topics, including running a business, attracting investors, the investment process, finance management, women's financial independence, but also women investing in themselves. The podcasts were available each Thursday from August 2022 to January 2023 on the Spotify Her Impact channel, and promoted on the banking social media (LI, FB).
- The Bank became a partner of Trendbook, a series of interesting live interviews with guests from the world of business, organised in cooperation with the Puls Biznesu daily and aired on Radio 357. The series presents the impact that changes in the world have on business and decisions taken. The authors track trends in the world of technology, business and media that impact the way we live, work and buy. The first season consisting of six episodes was launched on 27 October 2022. The Bank's representatives were invited as experts in two episodes. The series is a regular item on Radio 357. The project will continue in 2023. This out-of-the-box activity has supported NPS, a brand attribute: innovation.
- In 2022, the Bank became a strategic partner of a project aimed to introduce sustainable development as part of academic curriculum. Since October 2022, this subject has been taught at 13 faculties of three universities: University of Warsaw, University of Opole and University of Wrocław. As part of the project, academics from the above universities developed a multimedia guide for students. It is available for free at <https://zr.humandoc.pl/>. In the academic year 2022/2023, 214 students at 3 universities are taking part in the "Sustainability" classes. In the next two academic years 2023/2024 and 2024/2025, another 387 students will benefit from the project.

- Santander Orchestra is a cultural and educational project to support the careers of talented young musicians. The project combines top class musical workshops with lectures on a variety of topics, an element that is often not included in the traditional curriculum. In 2022, six lullabies were recorded, featuring Santander Orchestra musicians and two talented singers: Katarzyna Kanabus and Laura Bączkiewicz. The lullabies (in online format) will be given as a gift to the Bank's employees who have become parents. By doing this we support the Bank's brand as the best employer. The lullabies will be made available on the dedicated landing page addressed to the Bank's employees. One of the songs will also be made available to the public in 2023 as part of a promotional campaign on Santander Orchestra's social media profiles (FB, IG).
- The "How's Your Driving" ("Jak Jeździsz") educational project was launched by the Bank in 2015 in cooperation with BSS PRO Sp. z o.o. Sp. kom. communication on profiles in the social media (FB and IG) and through www.jakjezdzisz.pl. The main purpose of this communication campaign is to promote safe and responsible driving among new and experienced drivers and raise the awareness of risks caused by speeding, drink driving and using a mobile phone whilst driving. Since the start of the project, the number of fans on Facebook and Instagram has grown to 3,780 (as at 31 December 2022).
- The Bank is a partner of the "Security in Cyberspace" ("Bezpieczeństwo w Cyberprzestrzeni") project coordinated by the Warsaw Institute of Banking. Its purpose is to raise the awareness of online safety among children, teenagers, students and seniors, and to develop practical skills related to the use of new technologies. In 2022, nearly 2k classes, lectures, webinars, training sessions, e-learning courses, conferences and contests were organised for more than 220k participants (children and teenagers, students, seniors). Educational materials (including videos, brochures and leaflets) were distributed through the local, industry and Poland-wide media, newsletters and social media.
- For the second time in a row, Santander Bank Polska S.A. was a partner of Digital Festival, the largest education and technology initiative in Poland aimed at promoting digital technologies. The fourth edition, which was organised by the Digital Poland Foundation under the slogan: "Get ready for more", was held for six weeks – from 1 October to 10 November 2022. Quizzes, webinars, training sessions, hackathons, workshops and panel discussions were held. The Bank's experts gave interviews and commented on research results presented in the main report provided to participants – "Technology in the service of society. Will Poles become society 5.0?" Their training presentations are now available on the Akademia SkillUp platform, which offers free courses aimed to develop digital skills. The Bank has also become a partner of the publication: "Modern Senior: A Guide to the Cyber World", which was printed in 5k copies and distributed to seniors from 120 universities of the third age, 700 country clubs and for sale in traditional and online stores. More than 150 training sessions for seniors were delivered based on this material. One of its chapters on the online banking was prepared by the Bank's experts. The campaign promoting the Festival reached 13.5m people via national media and 6.5m people via social media.
- The Bank sponsored the 7th edition of Open Eyes Economy Summit – International Congress of the Economy of Values, which was held on 22–23 November 2022 in ICE Kraków Congress Centre. This event brings together renowned representatives of the world of science, economics and culture and is devoted to economy based on social values. The theme of 2022 edition was credibility and its reflection in socio-economic and political life. Thanks to the Bank's support, all presentations in the Firm-Idea thematic track were translated into Polish Sign Language, making it available to a wider audience. Experts from the Bank participated in three panels: "Financing green investments in cities", "City for the young" and "Accessible goods and services: a requirement or a business necessity?". The special session on accessibility of goods and services was held under the patronage of the Bank, whose intention was to focus on the new legislation and stress the importance of a debate in this respect, among other things. The Summit was attended by 3.2k participants onsite and 2k participants online (from 30 countries).

The key projects of the Foundation in 2022:

- In 2022, Santander Bank Polska Foundation performed the following donation agreements in cooperation with social partners: related to education (budget of PLN 32,500), charity (budget of PLN 397,067) and culture (Budget of PLN 81,700). The key cyclical projects include grant programmes. In 2022 the following projects were delivered:

Here I live, here I make eco-friendly changes (Tu mieszkam, tu zmieniam EKO) – the aim of the programme is to introduce changes in local communities, promote environmental education and bring together residents. The jury of the competition particularly focuses on original ecological initiatives responding to social needs. Projects delivered as part of the programme included creation of vertical gardens, pocket parks, rain gardens, plant murals, green libraries and public transport stops. Number of applications: 323. Number of organisations helped: 20. Number of beneficiaries: 10,756. Project budget: PLN 200,000.

Bank of Young Sports Champions (Bank Młodych Mistrzów Sportu) – the programme promotes active lifestyle. As part of the 2022 edition, grants were awarded to sports projects and events for young people aged 5–26 such as team sports events, competitions for people with disabilities, training and other initiatives promoting fair play and sportsmanship. Number of applications: 507. Number of organisations helped: 25. Number of beneficiaries: 6,245. Project budget: PLN 150,000.

Educational-social project TO(działaj)MY! – is a proposition for teachers working with students from the 4th grade of primary schools onwards. Its aim is to inspire children and young people to act beyond the framework of traditional education. It allows students to develop their skills and competencies required in today's world. It gives an opportunity to act in the areas they find important and interesting. The project made it possible to obtain PLN 2k, PLN 5k, PLN 10k or PLN 15k for the implementation of a social project prepared by students. Number of applications: 65. Number of organisations helped: 13. Number of beneficiaries: 10,776. Project budget: PLN 50,000.

Other selected programmes of the Foundation in 2022:

- 2022/23 Scholarship Programme – as part of the fifth edition of the Programme, scholarships were awarded to 25 out of 563 applications submitted in the 2022/2023 school year.

- “Flicker Club” (“Klub Ptomyka”) – a continuation of the project aimed to renovate units in educational care centres and hospitals and provide necessary equipment, books and toys. In 2022, the facilities in the University Hospital in Wrocław were renovated. A waiting room for the youngest patients was built. Since the beginning of the project, 11 units in 9 locations were renovated.
- “We Will Double Your Impact” – a joint initiative of the Santander Foundation, Santander Bank Polska Group, its customers and employees (budget of PLN 1.5m). The fundraiser was organised for the third time, this time for people from Ukraine. The number of participants exceeded 26.5k. More than 4,250k was raised and transferred to organisations coordinating aid for people affected by the war in Ukraine – PAH, Unicef, the Polish Red Cross and the city of Przemyśl.
- Assistance for people in need – non-refundable financial support was provided to 70 employees of the Bank, citizens of war-affected Ukraine.
- Kilometres for Ukraine – a fundraiser for children from Ukraine staying at children’s homes in Poland. The funds were donated to three children’s homes, mainly to finance repairs and equipment.
- Employee volunteering – in 2022, around 190 projects were carried out for social organisations and people in need. The volunteers include 1,972 employees Poland-wide. The initiatives undertaken by the Bank’s employees were aimed to help Ukrainian refugees, children and teenagers with cancer, hospice patients, lonely elderly individuals, and children and teenagers in educational care centres. They also included ecological and educational projects (competency volunteering).
- **The total number of beneficiaries of social and educational programmes implemented by the bank and the Santander Bank Polska Foundation / financially empowered people was as high as 520,461 in 2022 (934% increase – the target for 2022 was 55,689).**

7. Assessment of the manner of fulfilling by Santander Bank Polska S.A. disclosure requirements set out in the WSE rules and regulations pertaining to current and periodic information published by issuers of securities

In line with rule 2.11.4 of Best Practice for GPW Listed Companies 2021, the Supervisory Board makes and presents to the AGM the assessment of the manner of fulfilling by Santander Bank Polska S.A. the disclosure requirements and corporate governance rules set out in the WSE rules and in regulations pertaining to current and periodic information published by issuers of securities.

Pursuant to § 29(3) of the WSE Terms of Reference, the issuer of securities publishes information indicating which of the rules set out in Best Practice for GPW Listed Companies 2021 are complied with and which are not yet applied permanently. In the latter case, the information provided explains in detail the circumstances and reasons why a specific rule is not followed. If the compliance status changes or if circumstances occur as a result of which an explanation is required as to why a specific rule is not applied or the manner of its application is modified, the issuer promptly updates the published information.

The amended Best Practice for GPW Listed Companies 2021 document effective as of 1 July 2021 was adopted by virtue of resolution no. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange dated 29 March 2021. The above version of best practice was adopted by the Bank by way of Management Board resolution no. 160/2021 of 21 July 2021, Supervisory Board resolution no. 108/2021 of 27 July 2023 and General Meeting resolution no. 33 of 27 April 2022.

On 29 July 2021, the Bank published a report on application of the rules set out in Best Practice for GPW Listed Companies 2021 (it is available on the bank’s website at: https://www.santander.pl/regulation_file_server/time20210729112136/download?id=163350&lang=pl_PL).

In addition, the Statement on Corporate Governance in 2022 was included in Section 8 of the 2022 Management Board Report on Santander Bank Polska Group’s performance published on 22 February 2023. The Statement has been prepared in accordance with § 70(6)(5) of the Finance Minister’s Regulation of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state. In accordance with Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting (2014/208/EU), the Statement presents details on application of corporate governance rules in 2022 regarding the topics of most importance for shareholders.

Prior to the publication of the Statement for 2022, the Supervisory Board reviewed compliance with the rules, including the Best Practice for GPW Listed Companies 2021 and Principles of Corporate Governance for Supervised Institutions. The review included a detailed analysis of reports describing how individual units of the Bank adhered to specific rules, along with the evidence of same.

Given the above, the Bank’s fulfilment of disclosure requirements in relation to the adherence to the corporate governance rules is positively assessed by the Supervisory Board, whilst the Bank’s disclosures are a deemed a reliable source of information on its compliance with the corporate governance rules.

8. Delivery of the Diversity Policy

The Bank strives to ensure diversity within the Management and Supervisory Boards in terms of competencies, knowledge and professional experience to allow a variety of views and independent opinions and facilitate informed decision-making.

The Bank pursues its diversity strategy as part of selection, assessment of suitability and succession of members of the Management Board and the Supervisory Board based on objective substantive criteria, while taking into account the benefits of diversity.

Not only does it strive to ensure that members of the Management and Supervisory Boards have the required professional skills, but it is also committed to having a balanced representation of men and women on these boards, while ensuring diversity in terms of age, academic and professional background and geographical origin.

The above processes are delivered in a way preventing discrimination on any grounds, particularly based on gender, race, colour, ethnic or social origin, genetic features, religion or beliefs, membership of a national minority, property, birth, disability, age or sexual orientation.

The Bank's internal regulations in this respect are based on the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders EBA/GL/2017/12 and comply with the applicable laws, including the Banking Law Act and the Commercial Companies Code. They also comply with new Guidelines EBA/GL/2021/06 effective as of 31 December 2021.

- Pursuant to Santander Bank Polska Management Board Diversity Policy, the Supervisory Board strives to achieve the objective of at least 30% female representation on the Management Board by 2025.
- In the case of the Supervisory Board, the notion of diversity is governed by the Policy on the Suitability Assessment of the Supervisory Board Members in Santander Bank Polska S.A. The Policy sets out an objective of 40%–60% female representation on the Supervisory Board by 2025.

To ensure the target percentage of women on the Management and Supervisory Boards, the Nominations Committee of the Supervisory Board takes into account all personnel of Santander Group and business objectives related to cross-border activities. It also takes measures to ensure that the succession plans include an appropriate percentage of women and that the women considered in such plans are ready to take up their role within the prescribed time frame.

The Nominations Committee of the Supervisory Board monitors delivery of the objectives set out in the diversity policy and reviews the progress each year based on the data and information obtained as part of collective assessment of the Management Board and the Supervisory Board. If the progress in achieving the objectives or targets is insufficient, the Committee indicates the causes and recommends appropriate measures to be taken to meet the diversity targets.

As at 31 December 2022, there were four women on the Bank's Supervisory Board: Danuta Dąbrowska, Dominika Bettman, Isabel Guerreiro and Marynika Woroszyńska-Sapieha (40% representation) and one on the Management Board: Dorota Strojewska, Head of the Business Partnership Division (11% of representation). Women accounted for 26% of the supervisory and management bodies. Additionally on 13 December 2022, the Supervisory Board appointed María Elena Lanciego Pérez to the Management Board with effect as of 1 January 2023. The appointment was made in view of Carlos Polaino Izquierdo's resignation from his function as Management Board member as of 31 December 2022. María Elena Lanciego Pérez was appointed to head the Accounting and Financial Control Division. Thus since 1 January 2023 the female representation on the Management Board is 22%.

In terms of other criteria, the current composition of the Supervisory and Management Boards is sufficiently diverse and includes people of different geographical provenance (five EU states), age, years of service with the Bank and experience both in the financial industry and other areas of economy, representatives of science and business, having diverse academic background, including degree in economics, law, IT and new technologies.

The tables below present the delivery of the diversity policy within the Management Board and the Supervisory Board as at 31 December 2022.

Gender	Women ¹⁾	Men
Supervisory Board	4	6
Management Board	1	8

As a result of the resignation of Carlos Polaino Izquierdo and appointment of María Elena Lanciego Pérez as his replacement effective as of 1 January 2023, there are two women and 7 men on the Management Board.

Age	31–40	41–50	51–60	above 60
Supervisory Board	-	-	6	4
Management Board	-	5	4	-

Years of service with Santander Bank Polska S.A.	up to 5	6–10	11–15	16–20	21–25
Supervisory Board	3	5	1	-	1
Management Board	2	3	2	-	-

International experience:	Number of members
Supervisory Board	7
Management Board	4

9. Assessment of discharging other duties arising from Article 380¹ of the Commercial Companies Code by the Bank's Management Board

Having assessed the papers submitted by the Management Board for its each regular meeting, the Supervisory Board is of the opinion that in 2022 the Management Board duly discharged all its duties arising from Article 380¹ of the Commercial Companies Code, i.e. submitted to it information about:

- Management Board resolutions adopted since the last regular meeting,
- the Bank's standing, including its assets as well as important circumstances related to managing the business of the Bank, especially in the area of its operations, investments and HR issues;
- progress in delivering the development directions defined for the Bank.

Moreover, the Supervisory Board states that the Management Board duly discharged its duties when it comes to updates on transactions and other events or circumstances which have or may have a material impact on the financial standing of the company, including its profitability or liquidity. In the Supervisory Board's view, the Management Board provided it with due updates if the occurring changes had or could have a material impact on the Bank's standing.

Information provided to the Supervisory Board by the Management Board covered also the Bank's subsidiaries and affiliates.

10. Assessment of the manner of submitting by the Management Board information, documents, reports or explanation requested by the Supervisory Board

The Supervisory Board formulated a positive opinion on the manner of producing and submitting information, documents, reports and explanations by the Management Board. The Supervisory Board gets access to documents and information required for reviewing the Bank's assets. This refers also to documents and information about the Bank's subsidiaries and affiliates. All information, documents, reports and explanations requested by the Supervisory Board from the Management Board and designated employees were made available to it at due dates and in the required form.

11. Information about the total remuneration due from the Bank for all audits requested by the Supervisory Board in accordance with Article 382¹ Commercial Companies Code

The total remuneration for the reviews commissioned by the Supervisory Board was in 2022: PLN 138 758.35. The Supervisory Board commissioned KPMG Advisory sp. z ograniczoną odpowiedzialnością sp. k. to prepare reports on: Supervisory Board Effectiveness and Management Board Effectiveness, and the whistleblowing process.

12. Summary

Based on the assessment whose results are presented above, the Supervisory Board states that the situation of the Santander Bank Polska S.A. and Santander Bank Polska Group is good and stable, as evidenced specifically by:

- good financial results in a challenging economic environment;
- effective risk management;
- strong capital and liquidity position;
- efficient internal control system.

The Supervisory Board thanks the Bank's Management Board and all employees of Santander Bank Polska S.A. and its Group for a rewarding co-operation and contribution to its development and transformation, and to building the Bank's strong position on the financial market.

IV. Assessment of compliance with the corporate governance rules for supervised institutions

As of 1 January 2015, Santander Bank Polska S.A. has followed and adhered to the Principles of Corporate Governance for Supervised Institutions (Principles) implemented under Resolution no. 218/2014 issued by the Polish Financial Supervision Authority (KNF) on 22 July 2014. This is an important document for the Bank's corporate policy as a public trust institution.

The Principles were approved by way of Resolution no. 29 passed by the Annual General Meeting held on 23 April 2015 and based on the relevant resolutions of the Bank's Management Board and Supervisory Board.

The Principles cover a wide range of issues, including among others internal and external relations of the Bank, also with the shareholders and customers, organisation and functioning of internal supervision and key internal systems and functions, statutory bodies and principles of cooperation, which requires the Bank to comply with top standards and to ensure that the obligations arising from the regulations are adequately fulfilled.

Therefore, the Bank precisely defined organisational units (the so-called business owners) responsible for the adherence to and implementation of the rules assigned to them in line with their area of responsibility in the Bank. Throughout 2022, these units took appropriate measures to ensure compliance with the Principles.

In February 2022, the Supervisory Board assessed compliance with the Principles of Corporate Governance for Supervised Institutions. The assessment was based on a detailed report and evidence from relevant units of the Bank.

All units fulfilled their obligations by confirming the application of all the Principles and indicating the actions taken that reflected their professionalism, integrity and diligence.

Given the above, the Supervisory Board stated that the process of implementing the Principles in the Bank in 2022 was carried out adequately. The process was subject to current, in-depth supervision by the business owners. The coordination of the process and collaboration between business owners in joint implementation of certain rules were also effective.

Therefore, the Supervisory Board positively assesses the application of the Principles in 2022 by the Bank.

V. Assessment of the remuneration policy of Santander Bank Polska S.A.

This assessment was made pursuant to § 28(3) of the Principles of Corporate Governance for Supervised Institutions approved by resolution no. 29 of the Bank's Annual General Meeting of 23 April 2015 which states that the supervising body should present the general meeting with a report on the remuneration policy of the supervised institution on an annual basis.

The remuneration principles of Santander Bank Polska S.A. are defined in the Remuneration Policy of Santander Bank Polska Group ("Remuneration Policy").

At the same time, the following regulations apply at the Bank:

1. *Remuneration Policy for members of the Supervisory Board of Santander Bank Polska S.A.*
2. *Remuneration Policy for members of the Management Board of Santander Bank Polska S.A.*
3. *Rules for payment of variable remuneration to Identified Staff of Santander Bank Polska S.A. in 2022.*

The rules for paying fixed and variable remuneration to the Bank's Management Board members and key function holders arise from the above policies and the bonus regulations based on them as well as from regulations on variable components of remuneration paid to Identified Staff. The purpose of the Remuneration Policy is to lay down core remuneration rules and practices consistent with internal regulations and applicable law, taking into account the remuneration policy adopted by the Group's parent company.

The Remuneration Policy is the key element of the remuneration strategy and serves as a reference document for designing, reviewing, implementing and overseeing the remuneration practices. The Remuneration Policy promotes a high-performance culture that rewards employees' accomplishments and impacts the conduct of business as a responsible bank that serves interests of shareholders, employees and communities. The Remuneration Policy and related practices are gender neutral.

Given the applicable Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system, the internal control system and remuneration policy at banks, the Remuneration Department in cooperation with the legal, compliance and risk management functions at least once a year reviews all internal legal documents related to remuneration policy applicable in the Bank. As part of the review in 2022, the Remuneration Policy of Santander Bank Polska Group was adapted to the amended remuneration policy applied by the parent of SBP Group and legal acts applicable to the Bank (in particular the EBA guidelines). The introduced changes aimed first of all at emphasising the right to equal pay for equal work of equal value irrespective of the gender, introducing the rules for reporting the EPG and providing more accurate statements on individual remuneration components. Additionally, as a result of a comprehensive inspection carried out by the Polish Financial Supervision Authority, no recommendations were issued which confirms that the Remuneration Policy of the Bank operated correctly. There was only a request made to extend the Policy by a more precise statement with regard to the procedure for and mode of conduct in the case of increasing the variable-to-fixed remuneration ratio which was implemented by the Bank in 2022 by transferring the commonly applicable regulation (applied by the Bank) to the relevant section of the Remuneration Policy.

The updated Remuneration Policy for members of the Supervisory Board of Santander Bank Polska S.A. and Remuneration Policy for members of the Management Board of Santander Bank Polska S.A. were presented to and adopted by the General Meeting held in April 2022.

The provisions of the policies and regulations applicable in the Bank comply with statutory regulations and implementing acts, which is confirmed by the results of internal audits.

In 2022, the Internal Audit Area reviewed the documents related to the remuneration policy of Santander Bank Polska Group, with the focus on variable components of remuneration paid to material risk takers in Santander Bank Polska Group applicable in 2021.

The audit function established that regulatory requirements were met and that variable components of remuneration were adequately calculated, paid and disclosed. The Internal Audit Area did not issue any recommendations.

The Bank has a centre of excellence with appropriate knowledge and skills enabling independent update and verification of the list of material risk takers (MRT). The Remuneration Committee of the Supervisory Board actively participated in identification of MRTs, while the Supervisory Board constantly supervised the process, approving its result. The Bank identified MRTs based on the applicable provisions of the Banking Law and the criteria laid down in Commission Delegated Regulation (EU) No 2021/923 of 25 March 2021. In line with the process, MRTs were identified in the first half of the year and then the list was updated to reflect HR and organisational changes that took place in the second half of the year. The list of persons identified as MRTs in 2022 includes 86 people from Santander Bank Polska S.A. and 7 people from Santander Bank Polska Group subsidiaries. In 2022, the identification was benchmarked to banking sector practice in Poland in cooperation with a leading consulting company. Each time the identification of MRTs is completed and the list of such individuals is approved by resolution of the Supervisory Board, a formal communication process addressed to all identified employees takes place.

The Supervisory Board performed active oversight of the Remuneration Policy, both in terms of verification whether the conditions for awarding and paying variable remuneration for 2021 had been fulfilled (including application of malus clauses) as well as the review of the assumptions underpinning the remuneration strategy and main bonus schemes for 2022.

Against this background, the Supervisory Board is of the opinion that the Remuneration Policy supports growth and security of the Bank's Group, and that in particular it complies with the principles of sound and effective risk management, prudent capital management, and that it is consistent with the Bank's business strategy, objectives, values and long-term interests. Accordingly, the Supervisory Board deems the Bank's remuneration policy and rules to be appropriate and conducive to delivery of the Bank's management strategy.

Antonio Escámez Torres
Chairman of the Supervisory Board