

# Report on the activities of the Supervisory Board of Santander Bank Polska S.A. in 2023

Warsaw, March 2024



## Table of contents

<b>I. Activities of the Supervisory Board of Santander Bank Polska S.A. in 2023.....</b>	<b>3</b>
1. Supervisory Board composition; discharge of duties and responsibilities	3
1.1. INDEPENDENCE OF THE SUPERVISORY BOARD MEMBERS AND ON RELATIONSHIP WITH THE SHAREHOLDER HOLDING AT LEAST 5% OF VOTING POWER	4
2. Statistical data on the Supervisory Board's activity in 2023	4
3. Major areas of the Supervisory Board's activity in 2023	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	10
4.4. Risk Committee	13
5. Self-assessment of the Supervisory Board activity in 2023	15
<b>II. Report of the Supervisory Board on the examination of 2023 financial statements, the Management Board report on performance in 2023 and the Bank's Management Board's motion for distribution of profit .....</b>	<b>17</b>
1. Review of the financial statements for 2023 and the Management Board report on performance in 2023	17
2. Expressing opinion about the Bank Management Board's motion on profit distribution	18
<b>III. Assessment of Santander Bank Polska Group's performance in 2023 .....</b>	<b>19</b>
1. Santander Bank Polska Group Performance in 2023	19
2. Assessment of the internal control system	22
3. Assessment of compliance	24
4. Assessment of the internal audit function	25
5. Assessment of the risk management system	26
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	32
9. Assessment of discharging other duties arising from Article 380 <sup>1</sup> 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 any audits requested by the Supervisory Board in accordance with Article 382 <sup>1</sup> of the Commercial Companies Code	34
12. Summary	34
<b>IV. Assessment of compliance with the corporate governance rules for supervised institutions .....</b>	<b>35</b>
<b>V. Assessment of the remuneration policy of Santander Bank Polska S.A. ....</b>	<b>36</b>

# I. Activities of the Supervisory Board of Santander Bank Polska S.A. in 2023

## 1. Supervisory Board composition; discharge of duties and responsibilities

In the period from 1 January to 31 December 2023, the Supervisory Board of Santander Bank Polska S.A. worked in the following composition:

Function in the Supervisory Board	No.	Composition as at 01.01.2023	No.	Composition as at 31.12.2023
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.	Adam Celiński
	6.	Isabel Guerreiro	6.	Danuta Dąbrowska
	7.	David Hexter	7.	Isabel Guerreiro
	8.	John Power	8.	David Hexter
	9.	Jerzy Surma	9.	Jerzy Surma
	10.	Marynika Woroszyńska-Sapieha	10.	Marynika Woroszyńska-Sapieha

In 2023, John Power filed his resignation from his function at the Supervisory Board, effective as of 1 August 2023. On 20 July 2023, the Extraordinary General Meeting appointed Adam Celiński as the Supervisory Board member for a three-year term of office, effective as of 1 August 2023.

In 2023, the Nominations Committee of the Supervisory Board of Santander Bank Polska S.A. assessed the individual suitability of the Supervisory Board members, individual suitability of Adam Celiński as a prospective Supervisory Board member as well as collective suitability of this governing body in accordance with the applicable regulations and the Suitability assessment methodology for members of governing bodies of supervised entities published by the KNF. On 19 April 2023, the Annual General Meeting approved the results of annual reassessment of the Supervisory Board and on 20 July 2023, the Extraordinary General Meeting approved the result of the individual suitability assessment of Adam Celiński as a prospective Supervisory Board members as well as the result of the collective suitability assessment of the Supervisory Board taking into account his appointment of that governing body.

Members of the Bank's Supervisory Board have various academic background, extensive expertise and considerable professional experience in banking and business, including finance, accounting, financial analysis, IT law and economics. Individual competencies and experience of the Supervisory Board members guarantee due performance of the obligations entrusted with them, while their complementarity ensures effective discharge of collective supervisory obligations.

The composition of the Supervisory Board ensures diversity in terms of gender, age, experience and academic background. The tables 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	4	3	3	-	-	-

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 at: <https://www.santander.pl/en/investor-relations/about-company/authorities>

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 ON 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 2023:

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

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 2023

In 2023, the members of the Supervisory Board committed sufficient time to perform their functions. 29 Supervisory Board meetings were held during the year at which 182 resolutions were passed. The average attendance of Supervisory Board members was 95.7% (this figure does not include one secret ballot via means of direct communication over distance – nine out of ten Board members participated in that voting, the non-participating member has not been identified due to the nature of the secret ballot procedure).

## 3. Major areas of the Supervisory Board's activity in 2023

In 2023, 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 2023, 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 2023.

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-28 as well as the new Strategy of Santander Bank Polska Group for 2024-2026 – We Help You Achieve More.

## 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 2022, the Consolidated Financial Statements of Santander Bank Polska Group for 2022 and the Management Board Report on Santander Bank Polska Group Performance in 2022 (containing the Management Board report on Santander Bank Polska S.A. performance in 2022);
- issued an opinion with regard to the Management Board's motion on the distribution of profit for 2022, and gave consent to payment of an interim dividend in H2 2023;
- 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 2022;
- approved the Report on the Internal Capital Adequacy Assessment Process (ICAAP Report) as at 31 December 2022;
- approved the Report on the Internal Liquidity Adequacy Assessment Process (ILAAP Report) as at 31 December 2022;
- reviewed progress against Santander Bank Polska Group Strategy for 2021–2023 and approved Santander Bank Polska Group Strategy for 2024–2026 as well as the Business Plan for 2024;
- approved the Group's Financial Plan for 2024 and the Group's Three-Year Financial Plan for 2024–2026;
- reviewed and approved the Financial Plan Document – ALM Strategy for 2024–2026.

## 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 13 December 2023 the Bank's Supervisory Board adopted resolution no. 161/2023 reappointing PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audytor sp.k. ("PwC") to:

- review the Bank's semi-annual financial statements and the Group's semi-annual consolidated financial statements for H1 2024;
- audit the Bank's financial statements and the Group's consolidated financial statements for 2024.

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

## 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 2024–2027 and Operational Plan for 2024,
- changes to the audit plans reported throughout 2023,
- internal regulations pertaining to the internal audit function, including: the Internal Audit Charter of Santander Bank Polska S.A. and the Procedure for security audit tests performed by the Internal Audit Area.

## 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 2023 and monitored its delivery, and approved new and amended internal regulations regarding the operations of the compliance unit, including 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.

## 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 2023, 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 IT security issues, Cybersecurity Strategy as well as legal issues related to foreign currency mortgage loans 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 2023, the Supervisory Board approved a number of internal regulations related to risk management and internal control and their updates, including:

- Strategy for Risk Management in Santander Bank Polska S.A.;
- Market Risk Policy, Structural Risk Model, FX Risk Management Policy, Operational Model for Management of FX Risk in the Banking Book of Santander Bank Polska S.A., Liquidity Risk Policy, Liquidity Risk Management Model, Liquidity Contingency Plan Policy, Credit 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;
- 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;
- approved other internal regulations and their amended versions as recommended by the relevant committees;
- approved the suitability assessment of Management Board members as recommended by the Nominations Committee;
- assessed the delivery of the objectives by the Management Board members in 2022 and approved their objectives for 2023 along with the level of remuneration and bonuses of the Management Board members and other persons in accordance with the applicable regulations; approved amendments to the Group's Remuneration Policy and other related internal regulations;
- 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 2023, 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 Committees' Terms of Reference are available on the Bank's website in the Investor Relations tab. 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 2023.

### 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). The review of the Terms of Reference carried out by the Committee did not indicate any need for introducing changes.

#### Committee composition

In 2023, the composition of the Nominations Committee was as follows:

- Marynika Woroszylska-Sapieha – Chair

- Danuta Dąbrowska
- José Luis de Mora
- Jerzy Surma
- David Hexter

## Number of meetings and attendance rate

Between 1 January and 31 December 2023, the Nominations Committee held five meetings with all members being present, except for one not attended by José Luis de Mora.

## Committee's activities in 2023

In 2023, the key areas of focus for the Committee were:

- Succession plans – the Committee presented recommendations to the Supervisory Board with regard to the list of successors of the Bank's Management Board members;
- Assessment of suitability of individual Supervisory Board members and collective suitability of the Supervisory Board – the Committee assessed the suitability of individual Supervisory Board members as part of annual reassessment as well as during the assessment of Adam Celiński as a prospective Supervisory Board member (appointed to the Supervisory Board due to John Power's resignation); 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; The Committee assessed also the individual suitability of the Audit and Compliance Committee's members as well as the collective suitability of this Committee;
- Assessment of suitability of individual Management Board members and collective suitability of the Management Board – the Committee assessed the individual and collective suitability of Management Board members as well as the suitability of prospective of Management Board members: Magdalena Proga-Stępień, Artur Głęboccki and Wojciech Skalski; the Committee's recommendations with regard to suitability assessments and appointment of the said individuals to the Management Board were presented to the Supervisory Board which approved them; (i) Magdalena Proga-Stępień was appointed to the Management Board given the change of the Bank's organisational structure and changes in the internal allocation of powers within the Management Board; Magdalena Proga-Stępień was vested with the management of the Retail Banking Division and the Branch Network (changes were taken into account during the assessment of Arkadiusz Przybył's individual suitability in view of vesting with him the management of the Wealth Management and Insurance Division); (ii) Artur Głęboccki was vested with the management of the newly set up Compliance and FCC Division; (iii) Wojciech Skalski was appointed to replace the stepping down María Elena Lanciego.
- Assessment of the effectiveness of the Supervisory Board and its Chairman as well as the assessment of the Management Board's efficiency;
- The Supervisory Board's training plan for 2023 covering: responsible banking (ESG), risk management, current trends in the banking sector, NPS, cybersecurity, prevention of money laundering and financial crime;
- 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;
- Reviewed of 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). The review of the Terms of Reference carried out by the Committee did not indicate any need for introducing changes.

## Committee composition

In 2023, the composition of the Remuneration Committee was as follows:

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

## Number of meetings and attendance rate

Between 1 January and 31 December 2023, the Remuneration Committee held seven meetings with all members being present, except for two not attended by José Luis de Mora.

## Committee's activities in 2023

In 2023, the key areas of focus for the Committee were:

- Evaluation of the Management Board members' performance and setting the objectives for 2023 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 2022;
- Recommendation for the Supervisory Board on the award of bonus for 2022 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;
- Remuneration of Identified Employees – the Committee reviewed and assessed 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 2018–2021 deferred until 2023;
- Bonus schemes – the Committee reviewed the bonus schemes for key executives, management, employees of the Business Support Centre and branch banking employees;
- Recommendations for the Supervisory Board in relation to the appointment of Artur Grembocki and Wojciech Skalski to the Management Board with regard to such matters as their remuneration and additional benefits;
- Recommendation with regard to changes in remuneration for the Management Board members following the salary review.
- Recommendation for the general meeting with regard to changes in remuneration for Supervisory Board members.
- Review and assessment of the pursued Remuneration Policy as the one supporting growth and security of the Bank Group, in particular sound and effective risk management, and as consistent with the Bank's business strategy, objectives, values and long-term interests;
- Supervisory Board report on remuneration of the Management Board and Supervisory Board members – the Committee positively assessed the draft report for 2022 and decided to recommend its approval to the Supervisory Board and its presentation at the Bank's general meeting;
- Recommendation on the update of the Remuneration Policy of Santander Bank Polska Group – following the review the Committee presented to the Supervisory Board a recommendation with regard to the update of the Policy, by introducing such changes as: (a) statements on guaranteed remuneration; (ii) more detailed statements on retention plans; (iii) information that the variable remuneration can be vested only with the employee with a valid employment contract as at the end of the reference period (unless agreed otherwise); (iv) minor housekeeping changes.
- MRT identification – 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.

- Employment and remuneration – 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 2023;
- Management Board members' performance against objectives – the Committee recommended that the Supervisory Board confirmed the delivery of 2022 objectives by the Management Board members in relation to Incentive Plan VII (the delivery of objectives by other Plan's participants will be confirmed by the Bank's Management Board) and issued a positive opinion on buyback of the Bank's own shares; Participants in Incentive Plan VII – the Committee recommended changes to the list of participants in Incentive Plan VII (a share-based incentive plan for employees of Santander Bank Polska Group introduced by force of the annual general meeting; resolution no. 30 of 27 April 2022);

### 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. The last changes to the document were made in 2023 when it was updated by force of the Supervisory Board resolutions: no. 128/2023 of 28 September 2023 and no. 170/2023 of 13 December 2023. The changes consisted in adjusting the ToR statements to the Bank's current organisational structure and in outlining the Committee's powers with regard to reporting non-financial data (ESG report), reviewing ESG ratings for the Bank or the Bank Group.

#### Committee composition

In 2023 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 and CEO of Microsoft Polska sp. z o.o.
- 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 nine meetings in 2023, including three joint meetings with the Risk Committee of the Supervisory Board. The attendance rate was 100% during each meeting, except one meeting not attended by Danuta Dąbrowska.

Apart from the Committee's members, the regular attendees included the 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, member of the Management Board in charge of the Compliance and FCC Division, Head of the Legal Area, Head of the Corporate Governance Department, Head of the Internal Audit Area (Chief Audit Executive) and Head of the Compliance Area.

Other members of the Management Board and executives are also 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 2023

In 2023, 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 2023 was the macroeconomic situation, 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, during its joint meetings with the Risk Committee of the Supervisory Board, also analysed and supervised the status of deficiencies of the Internal Control System, issues related to the WIBOR reform, fx mortgage loans and FINREP reporting.

In 2023, the key areas of focus for the Committee were:

## Financial reporting

The Committee reviewed the Bank's and the Group's audited financial statements for 2022 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 2023, 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 2022, and the Supervisory Board endorsed the Committee's recommendation.

The Committee reviewed the Bank's and Group's financial statements for Q1 and Q3 2023 and H1 2023. The Committee recommended approval of those statements to the Supervisory Board.

The Committee also reviewed of the Condensed Interim Special Purpose Financial Statements of Santander Bank Polska S.A. for the 9-month period ended 30 September 2023 (produced for the needs of an interim dividend payment).

The Committee reviewed the reports on Capital adequacy and on the activities of the Disclosure Committee in 2022 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 2022 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 2023. 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 2022 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 2022 – 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 2023, 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 2023, the Committee reviewed and recommended to the Supervisory Board the approval of the operational (annual) plan for internal audits for 2024, the strategic (long-term) plan for internal audits for 2023–2026 and the Area's budget for 2024. 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 2023, the Committee issued a recommendation to the Supervisory Board to appoint PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. to review and audit the financial statements of the Bank and Santander Bank Polska Group for 2024. 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 2023 the Committee gave consent to PwC and other entities from its network to provide permitted non-audit services, including the review of the Condensed Interim Special Purpose Financial Statements of Santander Bank Polska S.A. for the 9-month period ended 30 September 2023 (produced for the needs of an interim dividend payment). 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; 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 2022 and monitored the unit's activities in 2023 on an ongoing basis.

The Committee assessed the Compliance Programme for 2023, 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 Committee also approved the appointment of the new head of the compliance unit.

Its 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 2023, the Committee also reviewed reports related, among others, to:

- 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;
- regulations concerning cases reported by staff via dedicated whistleblowing channels, assessing positively the adequacy and effectiveness of the whistleblowing system;
- counteracting money laundering and terrorist financing;
- supervision of compliance with legal requirements on custodian services;
- bancassurance business, with special focus on claims rejection indicators and early termination of insurance policies;
- updates on the KNF's inspections and the Bank's BION [SREP] rating;
- brokerage activities carried out by Santander Brokerage Poland pursuant to Article 70(2) of the Banking Law Act;
- key tax and accounting issues from the Bank's perspective;
- court cases;
- reviews of internal regulations;
- outsourcing;
- benchmarks reform;
- the exit interview with the Head of Internal Audit in Santander Brokerage Poland in view of her resignation from the role and taking up a job outside the Bank Group and appointment of the candidate for this role.

The Committee was also regularly updated on the internal governance in the Bank. 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 2023 the Committee held individual meetings with the Vice President of the Bank's Management Board in charge of the Risk Management Division, the Management Board Member in charge of the Financial Accounting and Control Division, the Head of the Compliance Area, 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 acts in accordance with the Terms of Reference approved by the Supervisory Board. The Committee's ToR were changed twice in 2023: (i) by force of Supervisory Board resolution no. 128/2023 of 28 September 2023 (changes consisted in the adjustment to the Bank's current organisational structure); (ii) by force of Supervisory Board resolution no. 170/2023 of 13 December 2023 (changes consisted in: the introduction of statements on ESG risks which the Committee needs to take into account when verifying the risk profile of the Bank Group and making recommendations to the Supervisory Board with regard to approval of internal regulations; and adjustment to the Bank's current organisational structure).

## Committee composition

In 2023, the composition of the Risk Committee was as follows:

- Jerzy Surma – Chairman
- Dominika Bettman
- David Hexter
- John Power (by 31 July 2023)
- Adam Celiński (as of 1 August 2023)

## Number of meetings and attendance rate

In 2023, the Committee held six meetings with all members being present. John Power attended all four meetings held when he was the Supervisory Board member (i.e. between 1 January 2023 and 31 July 2023) while Adam Celiński attended all (two) meetings held when he performed the role of the Supervisory Board member in 2023 (i.e. between 1 August 2023 and 31 December 2023).

All members of the Committee also participated in three 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, member of the Management Board in charge the Compliance and FCC Division, Head of the Legal Area, Head of the Compliance Area, 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 2023

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, 2023 the key areas of focus for the Committee were:

- 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 of Santander Bank Polska Group (ICAAP Report) and the Internal Liquidity Adequacy Assessment Report (ILAAP Report);
- 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 2024–2026 and the operational plan;
- review of the Bank's new strategy for 2024–2026, three-year financial plan and strategic plan.

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 2024–2025; (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 issues in 2023 were the portfolio of foreign currency mortgage loans and issues related to payment holidays, also for mortgage loans.

The Committee, during its joint meetings with the Audit and Compliance Committee of the Supervisory Board, also analysed and supervised the status of deficiencies of the Internal Control System, issues related to the WIBOR reform, fx mortgage loans and FINREP reporting.

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 2023

In line with the KNF's Recommendation Z no. 8.9, the Supervisory Board self-assessed the effectiveness of its activities. The self-assessment was carried out based on results of the assessment of the collective suitability of the Supervisory Board (approved by resolutions of: the Annual General Meeting – no. 17 of 19 April 2023 and Extraordinary General Meeting – no. 3 of 20 July 2023).

The Supervisory Board stated that in 2023 it 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 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 (95.7% 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.

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 2023.

The Supervisory Board will present the results of the self-assessment to the Annual General Meeting in 2024.

In 2023, the Supervisory Board presented the results of the self-assessment to the Bank's Extraordinary General Meeting on 12 January 2023 which adopted resolution no. 4 whereby it confirmed that the Supervisory Board duly and effectively discharges its responsibilities arising from applicable laws, including the Commercial Companies Code, the Banking Law Act, the Bank's Statutes and the KNF recommendations, as well as from corporate governance rules. On 19 April 2023, the Annual General Meeting assessed (resolution no. 17) that the Supervisory Board operated effectively and efficiently, duly discharging its duties and responsibilities and approved the Assessment of the Supervisory Board's effectiveness in 2022.



## II. Report of the Supervisory Board on the examination of 2023 financial statements, the Management Board report on performance in 2023 and the Bank's Management Board's motion for distribution of profit

### 1. Review of the financial statements for 2023 and the Management Board report on performance in 2023

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 2023 and the Group's consolidated financial statements for 2023 as well as the Management Board report on the Group's performance in 2023, including the Management Board report on the Bank's performance in 2023 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.

Pursuant to resolution no. 103/2022 of 28 September 2022, the Supervisory Board appointed PricewaterhouseCoopers Sp. z ograniczoną odpowiedzialnością Audyt sp. k. ("PwC", "statutory auditor") to review the foregoing statements.

Having thoroughly reviewed the financial statements of Santander Bank Polska S.A. for 2023 and the consolidated financial statements of Santander Bank Polska Group for 2023, 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 2023 as well as the standalone and consolidated financial performance and cash flows for the accounting year of 2023. 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 2023 (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 2023 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 15 February 2024.

Given the above, pursuant to resolution no. 1/2024 of 15 February 2024, 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 2023,
- Consolidated Financial Statements of Santander Bank Polska Group for 2023,
- Management Board Report on Santander Bank Polska Group Performance in 2023 (containing the Management Board Report on Santander Bank Polska S.A. Performance)

and pursuant to resolution no. 6/2024 of 15 February 2024, 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 21 March 2024, the Supervisory Board reviewed and positively assessed the Management Board's recommendation to distribute net profit of PLN 4,672,978,361.27 for the accounting year from 1 January 2023 to 31 December 2023 as follows:

- PLN 3,504,071,577.06 to be allocated to dividend for shareholders;
- PLN 87,042,000.00 to be allocated to the capital reserves;
- PLN 1,081,864,784.21 to be kept undistributed.

The Management Board also recommended to pay out as a dividend the amount of PLN 1,056,637,506.76 out of the 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. 6/2021**).

102,189,314 (say: one hundred two million, one hundred eighty nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares will give entitlement to the dividend to be paid out from profit earned in 2023 and from the Dividend Reserve (**Dividend**). The dividend represents 75% of the net profit earned in 2023 and 50% of the profit earned in 2019. The Dividend per share is PLN 44.63. The Dividend record date is 16 May 2024. The dividend will be paid out on 23 May 2024.

Pursuant to Article 349 § 1 of the Commercial Companies Code and § 50(4) of the Bank's Statutes, and based on Management Board resolution no. 227/2023 of 16 November 2023 and Supervisory Board resolution no. 144/2023 of 16 November 2023, on 29 December 2023 the Bank paid interim dividend of PLN 2,376,685,525.50 ("**Interim Dividend**") out of the net profit earned by the Bank in the accounting year from 1 January 2022 to 31 December 2022. 102,189,314 (say: one hundred two million, one hundred eighty nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares gave entitlement to the Interim Dividend. The Interim Dividend per share was PLN 23.25 and the record date for the Interim Dividend was 22 December 2023. The Interim Dividend was paid from the Dividend Reserve created by force of resolution no. 6/2021 from the part of the net profit earned by the Bank in the accounting year from 1 January 2022 to 31 December 2022 (in line with the Annual General Meeting resolution no. 6 of 19 April 2023); it does not reduce the Dividend to be paid out to shareholders.

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

As at 31 December 2023, the capital ratios were as follows:

- Tier 1 capital ratio of 19.62% and 17.18% for the Bank and the Bank's Group, respectively;
- total capital ratio of 21.24% and 18.56% for the Bank and the Bank's Group, respectively.

Based on the status as at 31 December 2023 (the Bank's quarterly data on own funds and monthly data on receivables portfolio), the Bank met the basic criteria defined in the Polish Financial Supervision Authority's guidance of 14 December 2023 on the dividend policy of commercial banks for 2024 to pay a dividend up to 50% of its net profit earned in the period from 1 January 2023 to 31 December 2023. Additionally, after factoring 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 was increased to 75% in view of the Bank's sound credit quality.

At the same time, the Bank's receivables arising from unsecured 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 75% of its net profit for 2023 in the form of a dividend, whilst the maximum payment cannot exceed the amount of the annual profit reduced by the profit earned in 2023 already allocated to own funds.

Additionally, the KNF has informed the Bank about its positive stance on the possibility to pay out as dividend the amount of PLN 1,056,637,506.76 out of the Dividend Reserve; this amount represents 50% of the profit earned from 1 January 2019 to 31 December 2019.

## III. Assessment of Santander Bank Polska Group's performance in 2023

Pursuant to Best Practice for GPW Listed Companies 2021, the Supervisory Board assessed the Bank's and Santander Bank Polska Group's standing in 2023. 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 2023

#### Economic growth

The Polish economy marked a cyclical low at the beginning of 2023 and then in the second quarter, Poland's GDP growth remained slightly negative (-0.6% YoY). In the third quarter economic growth moved above zero (+0.5% YoY) and in the fourth quarter it climbed up to 1% YoY, so that it averaged around 0.2% for the whole year based on preliminary data. The recovery in the second half of the year was mainly driven by domestic demand whilst investment showed high resilience throughout the year. At the same time, the year was marked by a sharp reduction of accumulated earlier inventories. This had a strongly negative impact on growth, but it was offset by a marked fall in imports. In exports, it was difficult to see any significant recovery amid the persistently weak economic situation in Europe. This also affected domestic industrial production, which fell by an average of around 2% in 2023 and its rebound in the second half of the year was relatively small. Monthly economic activity statistics showed more pronounced improvement in construction output and retail sales as well as in business and consumer sentiment indicators.

#### Inflation

In 2023, CPI inflation set its peak at 18.4% YoY in February before starting a steady, faster-than-expected descent and ending the year at 6.2% YoY. This brought the average annual inflation rate to 11.6%. Initially, the fall in inflation was caused mainly by statistical effects, but it was soon supported by the normalisation of global energy commodity prices and the strong fall in PPI inflation, which slowed down from 20.1% YoY in January to 0.3% YoY in June and -6.4% YoY in December. Core inflation also fell. It remained above 11% YoY until mid-year, but fell to 6.9% YoY by December, which gives an annual average of around 10.2%.

#### Monetary policy

In autumn, the Monetary Policy Council cut interest rates, which it had held unchanged since September 2022. The rate cuts were 75 basis points in September and 25 basis points in October. In consequence, the reference rate was brought down from 6.75% to 5.75%. A marked decline in inflation and weaker-than-expected economic activity data were cited by the MPC as reasons for the monetary easing. At subsequent decision-making meetings, the Council decided to hold off on interest rate changes at least until the publication of the NBP's March inflation projection. One of the reasons for the pause was uncertainty about the new government's fiscal and regulatory policies.

#### Loans and Deposits

There has been an evident recovery in the lending market, especially in the segment of mortgage loans, but the overall market activity still remains at a reduced level. In the first half of the year, this relatively low credit market activity resulted primarily from high interest rates, increased caution on the part of households, and reduced financing needs of businesses due to lower commodity prices. The launch of the government's "2% Safe Mortgage" programme in July contributed to a doubling of mortgage applications and the value of the mortgage loans portfolio grew by 2.2% during the year. There was a faster improvement in the volume of consumer loans, whose annual growth rate reached 2.3%. Demand for corporate loans weakened gradually and the value of the corporate loan portfolio in November, net of currency effects, was 1.5% higher than a year earlier. At the end of the year, the overall loan portfolio of the banking sector grew by 2.4% YoY (net of currency effects). In 2022, the increase was 0.6% YoY.

At the end of December 2023 deposits increased by 9.8% YoY, with deposits from private individuals up 11.2% YoY and from companies up 8.8% YoY. The growth in term deposit volumes slowed down to 15.7% YoY, whereas the growth in current deposit volumes started to accelerate, reaching 7.4% YoY at the year-end.

## Income Statement

The profit before tax of Santander Bank Polska Group for the year ended on 31 December 2023 was PLN 6,850.0m, up 57.4% YoY. The profit attributable to the shareholders of the parent entity increased by 72.6% YoY to PLN 4,831.0m.

The underlying profit before tax increased by 14.9% YoY and the underlying profit attributable to the shareholders of the parent went up by 16.7% YoY (assumptions related to underlying positions are described in the consolidated financial statements).

Total income of Santander Bank Polska Group for 2023 increased by 29.2% YoY to PLN 15,992m. Excluding the impact of payment holidays for PLN mortgage loan borrowers and settlements with CHF mortgage loan borrowers (a total of PLN 379m in 2023 and PLN 1,728 in 2022), the underlying total income was up 16.0% YoY.

Net interest income for 2023 was PLN 13,115.9m, up 35.9% YoY. Excluding the impact of a negative adjustment due to payment holidays, the underlying net interest income increased by 17.6% YoY.

The increase of 17.6% YoY in the underlying net interest income was driven by growth in business volumes in the favourable high interest rate environment resulting from the series of 11 NBP interest rate hikes until September 2022 aimed at tightening the monetary policy and curbing inflation. In September and October 2023, the first interest rate cuts of 0.75 p.p. and 0.25 p.p., respectively, were made since 2020 (with the reference rate reduced to 5.75%).

Net fee and commission income was up 5.9% YoY on account of, among other things, fee and commission income from the core business, i.e. lending and guarantee activities and settlement and payment activities (card, electronic and payment services) as well as insurance activities and currency exchange. A YoY increase was also observed in net fee and commission income from activities in the stock and investment fund markets.

Gain on derivatives improved due to more favourable conditions in the money market in 2023, resulting in an increase of 141.8% YoY in net trading income and revaluation. Gain on other financial instruments went up too (+PLN 18.0m YoY) due to the settlement of the conversion and sale of series A shares of Visa Inc. and sale of all series C preference shares of that company.

In 2023, total operating expenses of Santander Bank Polska Group were stable (+0.4% YoY) and totalled PLN 4,715.0m. An increase in staff expenses resulting from the salary reviews was accompanied by a decrease in general and administrative expenses reflecting lower contributions to the Bank Guarantee Fund and the Institutional Protection Scheme (IPS) and no contributions required to be made to the Borrowers Support Fund. On the other hand, the level of expenses was negatively affected by indexation and revision of pricing due to an increasing inflation rate, among other things.

As total income grew by 29.2% and total costs were stable, the cost to income ratio was 29.5% in 2023 vs 37.9% in 2022.

The cost of legal risk and settlements connected with CHF mortgage loans totalled PLN 2,922.1m (+52.0% YoY) and there were higher expected credit loss allowances (+28.5% YoY) totalling PLN 1,149.0 reflecting the negative impact of the economic situation on the quality of the portfolio.

## Assets

As at 31 December 2023, the total assets of Santander Bank Polska Group were PLN 276,652m, and increased by 7.4% YoY mainly on account of loans and advances to customers, investment financial assets and financial assets held for trading. The value and structure of the Group's financial position is determined by the parent entity, which held 91.2% of the consolidated total assets vs 91.8% as at the end of December 2022.

## Credit portfolio

As at 31 December 2023, consolidated gross loans and advances to customers were PLN 165,212.0m and increased by 4.3% YoY. The portfolio includes loans and advances to customers measured at amortised cost of PLN 148,818.0m (+3.7% YoY), loans and advances to customers measured at fair value through other comprehensive income of PLN 2,890.0m (+9.7% YoY), loans and advances to customers measured at fair value through profit or loss of PLN 85.0m (-64.5% YoY), and finance lease receivables of PLN 13,419.0m.

Loans and advances to individuals increased by 1.9% to PLN 83,055 as at the end of December 2023. Home loans, which were the main contributor to this figure, totalled PLN 53,014.0m and declined by 0.3% YoY as a result of a decrease in the foreign currency mortgage loan portfolio, a slowdown in the mortgage loan market in H1 2023, and an increase in an adjustment to gross carrying amount in respect of legal risk connected with foreign currency mortgage loans. Cash loans were the second largest item and totalled PLN 22,799.0m (+8.4% YoY) supported by growth in sales.

Loans and advances to enterprises and the public sector (including factoring receivables) went up by 5.9% YoY to PLN 68,666.0m on account of higher exposures in respect of factoring and term loans, including loans for investment purposes in the Corporate and Investment Banking segment.

During the reporting period, the cost of credit risk of Santander Bank Polska Group was 0.72% vs 0.59% in the previous year.

As at 31 December 2023, the NPL ratio was 4.6% and the provision coverage ratio for impaired loans was 55.4%.

## Equity and liabilities

As at 31 December 2023, deposits from customers totalled PLN 209,277.0m and were the largest constituent item of the Group's total equity and liabilities (75.6%) and the main source of funding for the Group's assets.

Deposits from customers went up 6.5% YoY as a result of a steady inflow of funds to term deposits, which further increased their share in the deposit structure at the expense of current account balances.

Financial liabilities held for trading and hedging derivatives grew by 6.7% YoY, mainly on account of liabilities in respect of FX transactions and short sale.

A decrease was reported in deposits from banks and sell-buy-back transactions, which went down by 30.3%, reflecting the Group's decelerated activity in the repo market.

Subordinated liabilities and liabilities in respect of debt securities in issue decreased by 1.7% vs 31 December 2022, with the latter item falling by 0.9% YoY to PLN 9,247.2m, as a combined effect of the issue of debt instruments with a total nominal value of PLN 6,876.0m and redemption of PLN 6,722.0m worth of securities on their maturity dates.

## Deposits

As at 31 December 2023, consolidated deposits from customers were PLN 209,277.0m and increased by 6.5% vs 31 December 2022.

Deposits from retail customers totalled PLN 115,261.2m, up 6.8% YoY. Customers preferred term deposits which offered interest rates better adjusted to the high interest rate environment. Their balance increased by 20.1% YoY to PLN 41,848.0m, whereas the total balance of savings and current accounts grew by 0.5% YoY to PLN 73,160.0m with decreasing balances of savings accounts (-12.1% YoY). Personal customers also invested their monies in investment funds managed by Santander TFI S.A., which reported strong performance and a positive balance of contributions and redemptions in 2023.

Deposits from enterprises and the public sector increased by 6.1% YoY to PLN 94,016.0m as a consequence of a rise of 4.0% YoY in term deposits to PLN 22,469.0m and growth of 7.4% YoY in current account balances to PLN 67,532.0m.

## Share price of Santander Bank Polska S.A.

The year 2023 turned out to be a highly successful year for the banking sector. In 2023 WIG-Banki index increased by 76.9% while the Bank's share price grew by 88.8%. The Bank's share price was highest on 14 December (PLN 523.50). The peak was recorded following the KNF's approval of payment of an interim dividend from the profit for 2022 at PLN 23.25 per share. The entire banking sector benefited from the Monetary Policy Council's decision to suspend interest rate cuts due to decelerated decline in inflation.

## Rating

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

In its report of 6 September 2023, Fitch Ratings affirmed the ratings of Santander Bank Polska S.A., including the long-term Issuer Default Rating (IDR) at BBB+ with a stable outlook and the Viability Rating (VR) at bbb.

According to Fitch Ratings, both long- and short-term 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 27th globally (as at the end of June 2023). The one-notch difference between long-term IDR of Santander Bank Polska S.A. and Banco Santander S.A. reflects the strategic importance of the Polish bank to the parent. The stable outlook of the long-term IDR and the short-term IDR reflect the rating of the parent. The VR balances the Bank's adequate capital position, stable funding and liquidity profiles, robust earnings generation and reasonable asset quality against risks from the domestic operating environment, which negatively affect banks' business and risk profiles.

On 26 September 2023, Moody's Investors Service updated its credit analysis of Santander Bank Polska S.A. (without taking any rating actions).

The A2/Prime-1 long-term and short-term deposit ratings and the A3 senior unsecured euro notes rating reflect the Bank's Baseline Credit Assessment (BCA) of baa2, the agency's assumption of moderate parental support from Banco Santander S.A. in the case of problems, the advanced loss given failure analysis, and the likelihood of support from the government if necessary.

The Bank's baa2 BCA captures its good capitalisation, moderate asset risk and good profitability despite cost pressure and legal risk connected with the CHF mortgage loan portfolio. It also reflects good liquidity and moderate market funding with some dependence on corporate deposits and derivative exposure.

The likelihood of support from Banco Santander S.A. also translates into a one-notch uplift in the Adjusted BCA to baa1 from the Assigned BCA of baa2.

The stable outlook on long-term deposit rating reflects the agency's view that the Bank's credit profile will remain broadly unchanged over the next 12–18 months despite the difficult operating conditions.

## 2. Assessment of the internal control system

At the meeting in February 2024, the Supervisory Board performed the annual adequacy and effectiveness assessment of the internal control system in Santander Bank Polska S.A. for 2023, 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 inspections and 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.

As required by the Statutes, the Bank operates an internal control system 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 (e.g. recommendations published by the KNF, the Sarbanes-Oxley Act, Volcker Rule (section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), RDA/RRF (Basel Committee on Banking Supervision 239: Principles for effective risk data aggregation and risk reporting)).

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 of the system, financial resources and validity of procedures in this respect, and sets criteria for assessing the adequacy and effectiveness of the internal control system. The Supervisory Board oversees the implementation and maintenance of the internal control system.

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

- The first line of defence covers risk management in the Bank's operations and is based on business units which in their BAU generate the risks impacting the achievement of the Bank's objectives. The first line includes activities performed by each employee to ensure the quality and correctness of the completed tasks, examination of compliance of the performed activities with procedures as well as dealing with and responding to irregularities on an ongoing basis. Additionally, the first line of defence receives assessments, information and analyses of risk exposure provided by the risk management unit and takes them into account when managing risk management as well as in decision taking processes. However, the accountability for decisions remains with the management of business units making up the 1 LoD, and ultimately the Bank's Management Board in line with the powers held.
- 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.

The Bank's Management Board ensures that the Internal Control System is designed, introduced and operational in Santander Bank Polska Group and that it is adequately adjusted to its organisational structure and Risk Management System as well as to the size and complexity of the Group's business. 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 ensures the operation of the internal control system in its material subsidiaries, i.e. Santander Leasing S.A., Santander Factoring sp. z o. o. and Santander Towarzystwo Funduszy Inwestycyjnych S.A. These subsidiaries have adequate internal regulations and a documented internal control model, within which elements such as controls, tasks and functions are described and managed. These elements, just like those defined in Santander Bank Polska S.A., 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.

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 being an element of the Internal Control System comprises:

- a) all controls in the Bank's processes which are defined by the organisational units as part of the Operational Risk Self-Assessment;
- b) independent horizontal and vertical monitoring of compliance with these controls (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.

On an on-going basis, the Bank's Management Board undertakes actions aimed at ensuring the continuity of the Internal Control System, including effective cooperation of all Bank's employees with the control function, the compliance function and the internal audit function. Moreover, it makes sure that employees of those units when performing their professional duties have access to the required data and source documents, including those that contain confidential information.

If deficiencies are identified by the internal control system, the Bank's Management Board takes adequate actions to eliminate them timely as well as defines remedial and disciplinary measures, such as designing new controls or updating the existing ones.

To better support its strategy, goals and day-to-day operations, the Bank established the Compliance and FCC Division. The main tasks of the Division include: preventing and counter-acting financial crime against the Bank or its customers, managing an innovative and effective control model for the second line of defence for technology, operations and the distribution network, and ensuring that the Bank's activities comply with the law and best market practice (including in respect of the prevention of money laundering and terrorism financing).

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 remedial and disciplinary actions.

These criteria are subject to regular reviews and updates.

The analysis of the established criteria confirmed that the Internal Control System of Santander Bank Polska Group is adequate and effective, and that its objectives are being delivered to a sufficient extent. 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 2023 concluded that the weaknesses identified had a little impact on the delivery of the Internal Control System objectives.

Santander Bank Polska Group identifies deficiencies on an ongoing basis and takes actions to remedy them.

As at 16 January 2024, none of the deficiencies were critical (the highest materiality level).

Every year, the Bank performs the certification of the Internal Control Model to: support the global assessment of the control environment as part of the Risk Control Self-Assessment; comply with Section 404 of the Sarbanes-Oxley; and ensure compliance with various regulations (e.g. corporate defence, Volcker Rule, FATCA, Dodd-Frank Act, Recommendation H).

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.

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 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 Supervisory Board positively assessed the Bank's Internal Control System (including the control function, compliance unit and internal audit unit) as it is adjusted to the Bank's organisational structure, risk management system as well as to the size and complexity of the Bank's business. The Internal Control System covers all significant controls, including those related to the Bank's financial reporting and operational activity (including the Bank's subsidiaries). The Internal Control System meets the adequacy and effectiveness conditions in line with the agreed criteria.

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.

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, personal data protection).
- 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 2024, the Supervisory Board conducted the overall review and assessment of the compliance unit for 2023.

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 direct reporting line to the Chief Compliance Officer;
  - a direct and unlimited access of the he Chief Compliance Officer 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 Chief Compliance Officer;
  - participation of the Chief Compliance Officer in meetings of the Management Board and his membership in the Risk Control Committee and Risk Management Committee 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 Chief Compliance Officer;
  - 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. It should be noted that high volatility of the regulatory and business environment of the financial sector requires a continued optimisation and automation 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 laws, 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 2023 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 & Conduct Unit is periodically audited by the Internal Audit Area. In 2023 a comprehensive audit of the CCU was carried out, as a result of which remedial actions were taken with regard to the identified issues.

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 2024, 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 next assessment is planned for 2024.
  - 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 2023 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 2023-2025 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 28 February 2024) 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 2023. 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 2024, 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 issued after the KNF's inspections,
- 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 risk management system of the Bank as adequate and efficient.

The key principles of the risk management system, which meet the requirements of banking supervision, have been specified in the "Strategy for Risk Management", adopted by the Bank's Management Board and approved by the Supervisory Board of Santander Bank Polska S.A. (last update: resolution of the Bank's Management Board no. 274/2023 of 19 December 2023 and resolution of the Supervisory Board no. 179/2023 of 28 December 2023). 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 delegated authority 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 Vice President of 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 undertakes numerous activities to propagate the principles of risk culture, including raising awareness of the need to manage risk and the responsibility of each employee in this respect. To this end, appropriate articles are regularly published on the intranet, employees undergo mandatory e-learning trainings, competitions and campaigns are held to promote risk management, and all employees are set a mandatory annual goal in 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 relevant reviews are carried on a regular basis.

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 in 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 the Unit Report), presented by the second line of defence to the Risk Control Committee (Management Board level) on a monthly basis 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.

## Organisational changes in 2023

### Second line of defence

In November 2023, the Management Board established a new unit in the organisational structure classified as the second line of defence – the **Compliance and FCC Division**. This unit combines the functions of compliance, prevention of financial crime, protection of personal data and anti-money laundering and countering the financing of terrorism. Hiving off these tasks and assigning them to the new Division is aimed at strengthening risk management in the above-mentioned areas. This will also enable to modernise and strengthen the quality and cooperation of the Bank's control functions.

Also in November 2023, the **ESG Risk Management Office** was set up in the Risk Management Division to ensure proper organisation of the ESG risk management function. The Office is particularly responsible for integrating ESG risks into the internal risk management framework, including credit risk assessment and monitoring.

### Committees

In May 2023, a new committee called **ESG Panel** was established. It is a cross-departmental panel of experts supporting business segments in accurate identification and classification of the transaction as compliant with the requirements of the Taxonomy (EU), SFCS and TFCS in order to prevent greenwashing risk.

In June two new committees were established:

- **Operating Committee for the Prevention of Money Laundering and Terrorist Financing** which takes decisions related to the fulfilment of duties aimed to prevent money laundering and terrorist financing in the Bank, including those related to: establishment and maintenance of business relations with high risk customers, also PEP customers, and approval of internal procedures in this area.
- **Decision Making Committee for the Prevention of Money Laundering and Terrorist Financing** which sets the standards and direction for strategic actions aimed to prevent money laundering and terrorist financing in SBP Group and monitors ML/TF risk management objectives. The Committee is also a control body in charge of preventing money laundering and terrorist financing across the Group activities and an advisory body for the Management Board Member responsible for the implementation of obligations specified in the Act of 1 March 2018 on the prevention of money laundering and terrorist financing.

### Priorities in 2023

Due to the war in Ukraine and the conflict in the Middle East, the importance of geopolitical risk in risk management processes stayed high. The Group identifies this risk both in its operations and in relation to its loan book and financial assets. The identification process involves defining and valuing potential significant risks arising from the geopolitical situation and which may threaten the implementation of Santander Bank Polska S.A.'s business plans. Both first and second line of defense units are involved in the process. As part of the special situations management protocols, the Bank closely monitors external developments and their impact on the Bank's operations. Key threats related to the conflict are monitored on an ongoing basis to ensure appropriate controls in case of materialisation of different scenarios and full readiness to minimise potential consequences of risks materialisation.

In 2023, the Bank continued to monitor its credit portfolio in terms of the impact of geopolitical factors on the performance of borrowers from individual segments. The assessment covered both direct consequences (sanctions, restriction of operations of business customers in Russia and Belarus, cooperation with entities from the Middle East) and indirect consequences of the geopolitical situation for borrowers (increased prices of energy, commodities, materials and labour as well as the impact of disinflation, high interest rates and changes in consumer behaviour). The quality of loans held by Ukrainian citizens was closely monitored too.

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

In 2023, Santander Bank Polska S.A. ran a variety of sponsorship, image-building and charity projects to support education, including specifically financial education, culture, sports, environmental protection, charity initiatives and statutory activities of foundations, chambers and associations.

These activities were carried out in line with the adopted Sponsorship and Charity Policy, as well as the Anti-Bribery and Corruption Policy, which includes provisions on sponsorship and donations, which came into effect on 1 December 2023. Directions were also set by the Santander Bank Polska strategy, the Responsible Banking and Sustainable Development Policy and the Responsible Banking Strategy. 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 Foundation have been consistently focusing on long-term projects and programmes. They provide an opportunity to reach a wider audience, build the best experience, arouse positive emotions and good associations linking the Bank/Foundation with the supported 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;
- promotion of culture among various audiences, supporting young talents;
- sport as a tool for bringing together local communities and promoting active life style and fair play rules;
- support for projects relevant to projects impacting local communities (creating partnerships, building engagement of employees through corporate volunteering).

### Assessment of reasonableness of expenditure

In 2023, the initiatives focused mainly on education, in particular financial education, sport, culture and environmental protection. In addition to the continuation of long-term projects, the Bank also implemented several new initiatives. These benefited the Bank in terms of image, allowed it to evoke positive emotions, to reach a younger audience (Santander Summer Sounds, Picasso exhibition), but also to involve the Bank's experts in knowledge-

sharing activities in various areas (Impact'23). In addition, the Bank also promoted the continuation of two global sponsorship projects of the Santander Group: the partnership with Scuderia Ferrari and the League of Legends European Championship (LEC).

In the opinion of the Supervisory Board, the expenditures on sponsorship, image-building and charity initiatives in 2023 were reasonable, prudent and well considered. The Bank consistently focused on supporting projects in specific areas, important in the context of its strategy. It did not engage in haphazard activities that did not fit in with the adopted strategy and chosen lines of action. The projects were selected in a reasonable way, having regard to both the Bank's image and cost effectiveness, while ensuring maximum promotional and advertising benefits for the Bank. Such an approach is conducive to building and reinforcing the Bank's positive image as a responsible, reliable and committed institution. It also makes it possible to establish multidimensional relations, as well as to strengthen the Bank's reputation and prestige among all stakeholder groups: shareholders, customers, employees. These values are very important in positioning the Santander brand, increasing its recognition and building brand loyalty.

#### The key projects in 2023 (continued and new):

- In December 2021, Banco Santander announced that it was once again becoming one of the key partners of Scuderia Ferrari, with whom it had already been working since 2010. From the start of the 2022 season, the Santander logo has appeared on the cars, overalls and caps of Scuderia Ferrari's drivers. 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 2023, Santander Group launched the Santander Lap Zero project in its geographies – an F1 knowledge quiz where participants answered questions about racing, but also about important sustainability issues. The questions broadened knowledge about history or performance in F1 but also about plans to reduce carbon emissions: switching to green fuels, promoting hybrid drives or using recyclable materials in vehicles. Prizes for the best participants were gadgets with the F1 logo and the grand prize was the F1 VIP experience package.
- 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 partnership agreement with LEC helps the Bank 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.
- The Bank became the title sponsor of the summer concert tour 'Santander Summer Sounds', a series of weekend concerts featuring more than 30 of Poland's best male and female artists (including Mrozu, Zalewski, Vito Bambino, Brodka, Zawiałow, Nosowska, Rubens and Kacperczyk). It was one of the Bank's new image projects. 117 concerts over 18 festival days - from 23 June to 2 September 2023 in 9 cities: Bielsko-Biała, Kraków, Rzeszów, Lublin, Warsaw, Łódź, Gdańsk, Wrocław, Poznań. The festival was attended by over 60,000 people (69% women, 31% men, age: 25-34 - 42% and 35-44: 33%). It included a cross-generational project called "Babie Lato" [Indian Summer], with representatives of different musical styles performing on the same stage. Natalia Kukulska took artistic charge of the initiative, inviting Bovska, Margaret, Zalia and Mery Spolsky to participate. Users of the Bank's mobile application could buy tickets and passes for the concerts with a 20% discount (almost 5,000 tickets were sold via the app). In addition, customers received a 5% discount at the festival's food court.
- Another new image-building project was the Bank's patronage of the temporary exhibition "Picasso". The Polish public was able to admire works by Pablo Picasso, one of Spain's greatest artists, in the interiors of the National Museum in Warsaw. The exhibition launched on the occasion of the 50th anniversary of the artist's death and Spain's assumption of the Presidency of the Council of the European Union, was open for visitors for three months, from 12 October 2023 to 14 January 2024. It featured more than 120 works by Picasso, including prints, ceramics and book illustrations created by the artist over several decades. Most of the works came from the collection of the Museo Casa Natal Picasso (Picasso's Birthplace Museum) in Málaga and were presented in Poland for the first time. In addition to works borrowed from Museo Casa Natal Picasso, the exhibition also included selected works by the artist from the collections of the National Museum in Warsaw, including works donated to the National Museum in Warsaw by Picasso himself when he visited Poland in 1948. The exhibition was accompanied by an educational program addressed to adults and young people (the events curator's tours, Thursday lectures, ceramics workshops, lithography workshops) and to children (e.g. animations – art classes open to everyone). The exhibition was available to people with special needs, for example, deaf people could use support of a guide speaking a Polish Sign Language. Guided tours in Polish Sign Language and audio descriptions (for blind and visually impaired people) were also organised. Admission to those events was free of charge. The exhibition attracted record-high interest from the public. During three months, the exhibition was visited by nearly 143k people.
- The Bank also became for the first time a strategic partner of IMPACT'23 – the most prestigious economic and business event in Central and Eastern Europe, which brings together top executives from global companies, regulators, authorities from the world of science and technology, and world-class experts and speakers. The congress features inspiring talks and workshops focused on analysing future and current social and economic changes and hosts discussions of the trends shaping our reality in 23 thematic areas such as Digital Future, Green Economy, Industry 5.0, Society and Urbanism of the Future, Mental Health, Arts, Women's Power, Sports Marketing and Economics and Finance. As many as seven Bank experts were invited to speak during thematic discussions on the Impact'23 stages. The congress was attended by 4,869 people.
- "Finansiaki" is the Bank's proprietary project implemented since 2016, which aims to support the educational capabilities of parents and teachers in the area of finance and entrepreneurship by providing them with relevant materials (which comply with the core curriculum of pre-school education and general education at primary school level). The project is part of the Bank's Responsible Banking strategy. Its main element is the website <https://finansiaki.pl/>, which has been operational since December 2016, also accessible via mobile devices and certified as a barrier-free website. The total number of downloads of educational materials from the portal in 2023 was 15,213. The programme is complemented by classes in kindergartens and schools conducted by employees within the framework of corporate volunteering (28 classes, 1,052 participants in 2023), as well as teachers (24 classes, 506 participants), a free guide for parents "Finansiaki to My!", as well as "Finansiaki to My" profiles on Facebook and Instagram, showing parents and teachers how to introduce children to the world of finance in a simple way.

In 2023, the Bank carried out numerous initiatives to promote the project and raise awareness of financial education, including, among others, the opinion poll "Portrait of Teenagers" among parents and teenagers (aged 12-15 and 16-18), conducted by the research agency IQS, the second edition of the "Financial Games" series of financial education workshops for students in grades 5-8 of primary schools held in 10 cities and attended by almost 2,500 students from 138 grades of 50 schools. A wide-ranging educational campaign "Young People and Money" was also implemented in partnership with Onet.pl (821,335 campaign recipients). The Bank also became a partner to the educational board game "Around the World", which promotes financial education and teaches the basics of entrepreneurship. The board game was released in December 2023.

- Since 2017, the Bank has been a partner of the educational project "Security in Cyberspace" coordinated by the Warsaw Banking Institute Foundation. The aim of the activities is to raise the basic knowledge of children, young people, students and seniors about online safety, develop practical skills related to the use of new technologies, as well as to increase knowledge of cyber threats and shape appropriate attitudes in the field of cyber security. In 2023, a total of approximately 2,000 lessons, lectures, webinars, training courses, e-learning, conferences and competitions were conducted as part of the project. The project reached almost 287,000 people (children and young people, students, seniors).
- The Bank has been the exclusive partner of "Trendbook" – a series of interesting live conversations with guests from the premier business league on Radio 357, carried out jointly with "Puls Biznesu" daily since 2022. It is a programme presenting the impact that global changes have on business and the decisions we make. The second season (6 episodes) was launched on 12 January 2023, while the third season (6 episodes) premiered on 20 April 2023. Bank employees were also among the experts in four episodes of those seasons. This out-of-the-box activity has supported NPS, a brand attribute: innovation.
- The Bank continued its collaboration with the Human Doc Foundation on a project to introduce new "Sustainability" classes at universities. In October 2022, that subject became permanent part of the curriculum at 13 humanities 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. In 2023, thanks to the Bank's support, an audiobook (prepared on the basis of the textbook) was also made available to make it accessible to an even wider audience. The textbook and audiobook are made available free of charge at <https://zr.humandoc.pl/>. In the academic year 2022/2023, 214 students at 3 universities participated in the "Sustainability" course, and in 2023/2024, 246 students attended the winter semester.
- The Bank continued its partnership in the "Re:Generation" programme, implemented by the UNEP-GRID Warsaw Centre. Thanks to the Bank's support, a flower meadow, a feeding ground for pollinating insects, was successfully restored in the Łódź Heights Landscape Park and 2 pollinator houses were set up. In 2023, in order to maintain the achieved effects, the Bank supported the mowing of the meadow. In 2023 the Bank additionally supported the protection of the wet meadow, which contains the largest site of the protected broad-leaved marsh orchid. As part of climate education in June and September 2023, field environmental workshops for children were held there. The five classes were attended by 119 pupils from grades 1-3 and teachers from primary schools in Łódź.

#### The key projects of the Foundation in 2023:

In 2023, the Santander Bank Polska Foundation executed donation agreements with social partners for educational (budget value PLN 578,197.00), charitable (budget values PLN 801,345.21) and cultural (budget value PLN 28,500) causes\*. The most important recurring projects carried out by the Foundation include grant programmes. In 2023 the following projects were delivered:

**Here I Live, Here I make ECO Changes** – the aim of the programme is to change our immediate surroundings. Its projects include development of mini-parks, rain gardens, rejuvenation of Jordan gardens, and many other ideas for children and young people. The jury of the competition particularly focuses on original ecological initiatives responding to social needs. It is important for the project to be delivered in a public space, and that the newly created or revitalized friendly place is intended for children and teenagers. In 2023, 20 grants of PLN 10,000 each were planned, with 15 grants of PLN 10,000 each paid out by the end of the year. Results of the final 2023 edition were announced on 31 January 2024. The number of planned grants: 5 (PLN 10,000 each). Number of organisations supported by the end of 2023: 15. Number of beneficiaries: 3,635, programme budget: PLN 200,000. PLN 200,000.

**Bank of Young Sports Champions** – the aim of the programme is to promote sports ventures and the principles of fair play in sports. In the 2023 edition, the Bank supported sports projects addressed to young people aged 5–26. The priority was to support the physical development of programme beneficiaries. Among the winners of the competition were organisers of team sports competitions, Olympic and Paralympic events, with a special focus on promoting the principles of fair-play in sports. Physical exercise has a huge impact on the functioning of the entire body, general fitness and well-being, which is why we promote active leisure. Grant value: max. PLN 7,000. 24 grants ranging from PLN 2,750 to 7,000 were paid out by the end of 2023. Results of the final 2023 edition were announced on 31 January 2024. Number of organisations supported by the end of 2023: 24. Number of beneficiaries: 6,090, programme budget: PLN 160,000.

**Together for Eco-Change** – the idea of the programme is to finance at least 17 electric vehicle charging stations by the Santander Bank Polska Foundation and Santander Leasing. The awarded grants cover the cost of building AC charging stations (2x 11kW) and maintaining them for 24 months. The programme supports measures improving air quality, reduction of greenhouse gas emissions, achieving climate neutrality in the EU by 2050, lowering noise levels, and reducing energy and fuel consumption in transport. The total value of the grants is PLN 1m. Charging stations will be installed successively in 2024. The project was jointly prepared by the Santander Bank Polska Foundation and Santander Leasing. The programme's partners are GreenWay Polska and the Polish Alternative Fuels Association (PSPA). Number of organisations supported by the programme: 17. Number of beneficiaries: 16,251, programme budget: PLN 1,000,000.

#### Other selected programmes of the Foundation in 2023:

- **Scholarship Programme** – in 2018, the Santander Foundation launched its Scholarship Programme for the first time. That support for the Foundation will contribute to development of talents and facilitation of education at the highest level. The scholarship is a reward for hard work and a motivation to keep on working and achieving even better results. The beneficiaries come from various regions of Poland. Those are particularly talented young people, but above all, they are passionate about what they do. The scholarship amount is PLN 10,000 for the 2023/2024 school year, paid out at PLN 1,000 each month for 10 months (from September 2023 to June 2024). In the 2023/2024 edition, 37 scholarship recipients were selected from among 4,960 applications.  
Number of beneficiaries: 37
- The **Flame Club** – a project run by the Foundation since 2019. The idea is to renovate and equip rooms to fit the needs of children in hospital wards or children's homes. Institutions that lack study, recreation, play or rehabilitation facilities or are in an unsatisfactory technical condition are eligible for the programme. The foundation cooperates with qualified contractors that complete major renovations. Before the work begins, the employees of the facilities, as well as the children, have a say in the final appearance of the Flame Club. In total, the Santander Foundation has renovated 13 rooms, two of which were refurbished in 2023. Two new facilities were created at the J. Babiński Specialist Psychiatric Healthcare Complex in Łódź and at the 'In the Park' Home for Children at the Olsztyn Children's Aid Centre. In both cases, kitchens were refurbished and equipped.  
Number of beneficiaries: 146
- **We Will Double Your Impact** – a joint initiative of the Santander Foundation, Santander Bank Polska Group, its customers and employees. The charity fundraiser was held for the fourth time in 2023. Its main objective in 2023 was to raise funds for the development and operation of a chat service run by the Power to the Children Foundation which operates the national helpline 116 111. Chat is an extremely popular way of communication among young people. It enables anonymous contact with psychologists, children and young people in mental crisis. During the chat, the task of the psychologist is to help solve the young person's problem. The fundraiser continued throughout June. The Bank matched all donations paid to the account of Santander Foundation. Generous donations added up to more than PLN 700k. The funds will be used for maintaining and developing the chat service.
- **Corporate volunteering – social engagement of employees**  
Since 2010, the Foundation has been promoting corporate volunteering. It provides substantive and financial support to the Bank's employees who want to volunteer and recognises their contribution to the development of local communities. Volunteering is carried out in three forms: time volunteering, skill-based volunteering and educational volunteering. Volunteer work is a form of social engagement that helps create positive change in local communities.
  - Number of projects implemented in 2023: 161.
  - Number of employee volunteers registered on the electronic platform at the end of 2023: 2,124.
  - Amount allocated by the Santander Foundation for volunteering in 2023: PLN 122,300\*.
  - Number of people helped through employee volunteering actions in 2023: 16,561.

(\*based on preliminary data as of 31 December, 2023. The full version of the Santander Foundation's financial statements will be available as of 30 June, 2024 on [www.fundacja.santander.pl](http://www.fundacja.santander.pl).)

## 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](https://www.santander.pl/regulation_file_server/time20210729112136/download?id=163350&lang=pl_PL)).

In addition, the Statement on Corporate Governance in 2023 was included in Section 8 of the 2023 Management Board Report on Santander Bank Polska Group's performance published on 16 February 2024. 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 2023, 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 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 in 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 2023, there were four women on the Bank's Supervisory Board: Danuta Dąbrowska, Dominika Bettman, Isabel Guerreiro and Marynika Woroszyńska-Sapieha (40% representation) On the Management Board, women were represented by Dorota Strojowska in charge of the Business Partnership Division, María Elena Lanciego Pérez in charge of the Financial Accounting and Control Division (who filed her resignation from the Management Board with effect as of 1 January 2024) and Magdalena Proga-Stępień in charge of the Retail Banking Division (27.27% representation). Women accounted for 33.33% of the supervisory and management bodies. Given that Wojciech Skalski was appointed Management Board member with effect as of 1 January 2024, to replace María Elena Lanciego Pérez, the female representation on the Management Board has been 18.2% since 1 January 2024. In addition, on 27 February 2024, Arkadiusz Przybył resigned from his position as Vice-President of the Management Board effective 1 April 2024. Accordingly, as of 1 April 2024, women will constitute a total of 20% of the Board of Directors.

In terms of other criteria, the current composition of the Supervisory and Management Boards is sufficiently diverse and includes people of different geographical provenance (four 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 2023.



Gender	Women <sup>1)</sup>	Men
Supervisory Board	4	6
Management Board	3	8

<sup>1)</sup> as a result of the resignation of Maria Elena Lanciego Pérez and appointment of Wojciech Skalski as her replacement effective as of 1 January 2024, there are two women and nine men on the Management Board.

Age	31-40	41-50	51-60	above 60
Supervisory Board	-	-	6	4
Management Board	1	5	5	-

#### Years of service with Santander Bank Polska S.A.

counted from their first appointment to the Supervisory Board or Management Board.

	up to 5	6-10	11-15	16-20	21-25
Supervisory Board	4	4	2	-	-
Management Board	5	4	1	1	-

International experience:	Number of members
Supervisory Board	7
Management Board	5

## 9. Assessment of discharging other duties arising from Article 380<sup>1</sup> 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 2023 the Management Board duly discharged all its duties arising from Article 380<sup>1</sup> 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 any audits requested by the Supervisory Board in accordance with Article 382<sup>1</sup> of the Commercial Companies Code

In 2023, pursuant to Article 382<sup>1</sup> of the Commercial Companies Code the Supervisory Board did not request any audits pertaining to the Bank's operations or assets to be carried out at the Bank's cost by the Supervisory Board's advisor.

## 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 2023, these units took appropriate measures to ensure compliance with the Principles.

In February 2023, 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 2023 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 2023 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 2023.*

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 2023, the Remuneration Policy of Santander Bank Polska Group was adapted to the slightly amended remuneration policy applied by the parent of SBP Group. The changes mostly aimed at expressing in more detail the rules for: vesting rights to variable remuneration, retention plans or guaranteed variable remuneration.

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 2023, 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 2022.

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 H1 and then the list was updated to reflect HR and organisational changes that took place in H2. The list of persons identified as MRTs in 2023 includes 94 persons from Santander Bank Polska S.A. and 18 persons from Santander Bank Polska Group subsidiaries (some of them, due to the performed functions, were identified both in the Bank and in the subsidiaries). In 2023, 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 2022 had been fulfilled (including application of malus clauses), analysis of MRTs remuneration, review of the assumptions underpinning the remuneration strategy and main bonus schemes for 2023, salary review process and the execution of the equal pay policy. Moreover, the Supervisory Board reviewed the list of participants of the Long-Term Incentive Programme applicable in the Bank in 2022-2026 and checked the fulfilment of conditions determining the payout of 2022 bonus in the form of the Bank's shares.

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