

item 14 of the agenda



## REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD OF SANTANDER BANK POLSKA S.A.

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#### Definitions/abbreviations:

**Bank** – Santander Bank Polska S.A. with its registered office in Warsaw.

**Management Board member** – a member of the Bank's Management Board.

**Santander Bank Polska Group/Bank Group** – the Bank and its subsidiaries as per Article 4(1)(9) of the Banking Law.<sup>1</sup>

**Bank's remuneration unit** – unit responsible for implementing and applying the remuneration policies and processes in the Bank.

**Policy** – this Remuneration Policy for members of the Management Board of Santander Bank Polska S.A.

**Supervisory Board** – Supervisory Board of Santander Bank Polska S.A.

**Fixed remuneration** – remuneration whose award conditions and level:

- (i) are based on predetermined criteria,
- (ii) the criteria are non-discretionary reflecting the level of professional experience and seniority of the employee,
- (iii) the criteria are fixed – always connected with specific duties and responsibilities of the employee in the organisation,
- (iv) cannot be revoked, reduced, suspended or cancelled,
- (v) are not determined by the employee's performance.

**Variable remuneration** – remuneration that is not fixed under the criteria above. Furthermore, it is the remuneration that a given employee receives based on the fulfilment of one or several quantitative or qualitative objectives that change over time and can be assessed for periods of less than one year or several years. This type of remuneration is aimed to motivate, attract and retain employees.

**Conflict of interests** – circumstances known to the Bank which may lead to a conflict between the interest of the Bank or a party related to the Bank and the obligation to act in a reliable manner, taking into account the best interests of the customer, as well as any circumstances known to the Bank which can give rise to a conflict between the interests of a number of customers of the Bank or entities otherwise related to the Bank.

**Committee** – Remuneration Committee of the Bank's Supervisory Board.

**Heads of control units** – persons supervising the work of the following units: internal audit, compliance, legal, units in charge of risk management and HR issues.

#### Policy statement:

### I. Introduction

1st The Bank is obliged to apply remuneration practices consistent with legal regulations, taking into account the remuneration policy adopted by the Bank and the Bank Group's parent entity. Moreover, the Bank is

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<sup>1</sup> Banking Law Act of 29 August 1997, consolidated text, Journal of Laws of 2021, item 2439

obliged to establish and apply a remuneration policy for each group of employees whose professional activities have a material impact on the Bank's risk profile.

2nd

3rd A responsible bank requires a corporate culture that discourages any conduct which constrains or endangers the maintenance of a firm capital base and facilitates the effective management, control and oversight of different risks (including those stemming from remuneration schemes).

4th

5th The Policy and the related practices are gender neutral.

## II. General provisions

1st This Policy defining the remuneration principles for members of the Bank's Management Board is introduced in order to:

1st1st ensure remuneration adequate to the employees' skills, knowledge and experience, responsibilities and performance and remuneration that will ensure recruitment, retention, and motivation of Management Board members,

1st2nd support creating a strong organisational culture by ensuring compliance with the Bank Group's corporate values,

1st3rd comply with the responsible banking principle by supporting proper and effective risk management and discouraging excessive risk taking above the risk appetite approved by the Supervisory Board,

1.4. prevent conflicts of interest.

2nd The criteria that affect the type and amount of fixed and variable remuneration paid to the Management Board members were defined so as to support the delivery of the Bank's business strategy, long-term interests and stability, in particular by:

2nd1st setting annual objectives in accordance with the Bank's financial and strategic plans, and assessing the performance of individual Management Board members;

2nd2nd applying flexible remuneration policy by maintaining a proper balance between fixed and variable components and awarding part of remuneration in the form of financial instruments thereby ensuring the influence of the Bank's financial performance on the deferred remuneration in the long-term perspective,

2nd3rd applying deferred payment of variable remuneration and malus clauses ensuring thus proper and effective risk management and discouraging excessive taking of risk which might materialise in the deferral period,

2nd4th awarding the variable components of remuneration only if it does not represent any threat to the solid capital base of the Bank or the Group in the long-term horizon.

### III. Governance and approval

1st The Bank's Management Board is responsible for the development and implementation of this Policy, subject to item 3.

2nd In the case of a justified legal interest, the Bank's remuneration unit performs non-binding consultations with the Bank's parent entity to ensure implementation of consistent principles of remuneration.

3rd This Policy is subject to approval by the Bank's Supervisory Board at the request of the Committee. The General Meeting of Shareholders adopts the Policy by way of a resolution. Resolutions on the remuneration policy are adopted at least every four years.

### IV. Scope of the policy

1st This Policy applies to members of the Bank's Management Board.

2nd This Policy sets out the criteria for determining fixed and variable components of remuneration set forth in the Remuneration Policy of Santander Bank Polska Group, which presents detailed definitions and conditions justifying their award, while ensuring that they are specifically dependent on objective criteria and quality of the Bank's management and take into account the long-term aspects of the operations and manner of delivering the strategic objectives.

3rd In order to avoid conflicts of interests, decisions related to the fixed and variable components of remuneration of Management Board members are reviewed by the Committee and approved by the Supervisory Board.

4th The Bank's remuneration unit presents the Committee with information about the fixed and variable components of remuneration of the Management Board members.

### V. Criteria for defining components of remuneration received by management board members

1st The total remuneration of a Management Board member comprises:

1.1. fixed remuneration, in particular:

1.1.1. base salary,

1st1st2nd international mobility payments – detailed rules related to such remuneration may be defined in separate internal regulations,

1st1st3rd additional benefits resulting from the internal principles of awarding such benefits and from contractual clauses regulating the remuneration of Management Board members (e.g. employment contracts), such as health insurance, life insurance, etc.,

1.2. variable remuneration, in particular:

1.2.1. annual bonus

1st2nd2nd awards envisaged in long-term incentive programmes

1st2nd3rd individual pension plans (premiums up to 22% of the total annual base salary)

1.2.4. discretionary pension benefits

1.2.5. guaranteed variable remuneration

1st2nd6th compensation for variable remuneration (buy-out)

1st2nd7th severance pay and compensation for termination of the employment contract or another contract for performing the function in question.

2nd The base salary of Management Board members for the performance of duties specified in relevant contracts and internal regulations as well as additional remuneration components are set by the Supervisory Board based on relevant recommendations from the Remuneration Committee.

3rd When determining the amount of the base salary of a Management Board member, the following criteria will be specifically taken into account:

3rd1st the function performed by the Management Board member,

3rd2nd the scope of the member's organisational responsibility in the Bank,

3rd3rd the member's skills and professional experience,

3rd4th market competitiveness of the offered remuneration.

4th Generally, the value of additional benefits arising from the relevant internal regulations should not exceed 20% of the annual base salary.

5th No additional discretionary pension benefits or early retirement programmes for the Management Board members are envisaged.

6th Fixed and variable remuneration should be aligned with the Group's ESG<sup>2</sup> objectives/ limits by linking variable remuneration of the Management Board members to the achievement of such objectives, preventing excessive risk-taking in this area and misinformation about the Group's ESG-related measures ("green-washing" practices).

7th The fixed remuneration should represent a significant portion of the total remuneration received by Management Board members.

8th The purpose of variable components of remuneration is to motivate employees in a responsible manner to achieve short, medium and long-term objectives, to outperform the Bank and Group plans and to encourage progress in the performance of individual Management Board members. The Bank's

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<sup>2</sup> ESG means the following factors: E – environmental, S – social responsibility and G – corporate governance.

performance adopted for the purpose of defining variable components of remuneration should take into account the Bank's risk costs, the capital and liquidity risks in a long-term perspective.

9th The variable components are additional elements of the remuneration, they are volatile and do not represent fixed pay. In line with the internal regulations, it is possible that in a given year or consecutive years certain variable components are not awarded and are not paid out.

10th The principles of setting the level of annual bonuses for the Management Board members are set forth in the bonus regulations applicable to Management Board members in a given year. All bonus regulations are approved by the Supervisory Board based on the Committee's recommendations.

11th An annual base bonus is allocated to each Management Board member. The annual base bonus amounts are denominated in PLN based on individual level of responsibility, taking into account the market pay and other criteria applied to attract and retain a given Management Board member.

12th Each year, the Committee reviews the performance of each Management Board member in line with a separate policy and procedure for evaluating the performance of the Management Board members. The outcome of such a review is taken into account when determining the individual annual bonuses for Management Board members.

13th The final annual bonus of a Management Board member depends on the annual base bonus, the availability of the bonus pool and the overall evaluation of the Management Board member's performance. The Committee's recommendation is presented to the Supervisory Board which decides on the level of annual bonuses awarded to individual members of the Management Board.

14th Total amount of variable components of remuneration awarded to Management Board members does not limit the Bank's capacity to increase its own funds.

15th The level of the annual bonus is determined in particular on the basis of:

15th1st the quantitative metrics (e.g. capital generation ratio, growth in the number of customers, PAT, and return on equity, income per customer, costs),

15th2nd qualitative metrics resulting from the analysis of the financial performance and risk run (e.g. regulatory compliance, risk indicators, ESG (environmental, social responsibility and governance, benchmark to peers)) and

15th3rd potential adjustments resulting from unexpected developments.

The indicators taken into account when setting the annual bonus (including the rules for setting the bonus pool and criteria for evaluating the performance of individual Management Board members) for a given year are aligned with the Bank's financial plan and strategic targets while complying with proper and effective risk management principle. Detailed principles are defined in the Bonus rules for the Management Board members approved every year.

16th Conditions for payment of variable remuneration are as follows:

16th1st At least 40% of variable components of remuneration is paid after completing evaluation of the period for which the remuneration is payable and is deferred for 5 years after such an evaluation; the payment is made in equal instalments payable in arrears and the remuneration depends on the performance rating of a given Management Board member during the evaluation period of minimum 3 years and takes into account the Bank's risk.

16th2ndIf the total amount of variable remuneration components exceeds the equivalent of EUR 1,000,000 p.a. (based on the average NBP fx rate as at the day of granting the right to a given variable component of remuneration), at least 60% of the awarded total amount is deferred.

16th3rd At least 50% of deferred amount and 50% of variable remuneration granted and paid out directly after the end of the reference period will be paid out in financial instruments – preferably in the form of Santander Bank Polska S.A. shares or related financial instruments or equivalent non-cash instruments.

16th4th The instruments paid to the Management Board members, either in the form of variable remuneration paid upfront or deferred remuneration, are subject to a 1-year ban on disposal which means that a Management Board member must not sell those instruments within 12 months of receiving such instruments.

16th5th The Bank applies the Policy to a limited extent (in particular the rules set out in points 16 and 16c.) with respect to an individual whose variable remuneration does not exceed the PLN equivalent of EUR 50,000 or one third of that individual's total annual remuneration.

16th6th Additionally, Management Board members must not hedge (the value of) such instruments by applying hedging strategies prior to having such instruments vested or in the period when their sale is banned.

16th7th The portion of variable remuneration subject to deferral is decided by the Supervisory Board in accordance with the internal rules for payment of variable remuneration to Identified Employees.

17th The Management Board members may receive awards envisaged in the Long-term Incentive Programmes ("the Programmes") aimed at reinforcing the connection between the long-term financial effectiveness of the Bank, expectations of shareholders and awards for executives while respecting market standards. Under certain criteria, the Programmes enable their participants to take up a certain number of the Bank's shares. The details of the Programmes are provided in relevant resolutions adopted by the Bank's Annual General Meeting of Shareholders.

18th In particular, such Long-term Incentive Programmes define:

18th1st the economic triggers for granting the award to the Programme participants and the method of calculating such an award,

18th2ndthe Supervisory Board's rights to change the Programme conditions if the Board considers it necessary and consistent with the Programme objectives, including the right to decrease the award, referred to above, including extraordinary circumstances such as:

18th2nd1st radical deterioration in the economic performance of the Bank Group;

18th2nd2nd material restatement of the Bank Group's financial statements by a statutory auditor  
(excluding restatement caused by changes in accounting standards);

18th2nd3rd radical deterioration of the risk profile of the Bank Group.

19th Benefits related to termination of employment contract or any other agreement under which a given Management Board member performs his or her function should reflect the person's commitment, effectiveness and quality of work over the last three years of performing the function and if a given person has been performing the function for a period shorter than three years – over that period. The principles of awarding such benefits should be developed in a manner preventing staff being rewarded for poor performance. In such a situation, the Bank has the right to withhold, limit or refuse to pay such benefits as provided for in the employment contract. The detailed information on the payment of severance and compensation (including the rules for their deferral or recognition of their value in the calculation of the variable to fixed remuneration ratio), processes followed when taking decisions on their payment as well as the related tasks and responsibilities are defined in separate internal regulations.

20th The overall variable remuneration cannot exceed the limit of 100% of fixed remuneration even in the case of an exceptionally outstanding performance. However, in exceptional circumstances, this limit might be increased to maximum 200% of fixed remuneration subject to the approval by the Annual General Meeting of the Bank or the subsidiaries.

21st For the Management Board members who are heads of control units, the overall variable to fixed remuneration ratio should be lower than in business units, however it cannot exceed 100%. The Management Board members who are heads of control units are awarded variable remuneration for the delivery of objectives arising from their roles and responsibilities and their remuneration cannot depend on business results generated by the Bank's business areas they control.

22nd The malus clause defined as ability to prevent vesting of all or part of granted deferred remuneration may be applied to variable remuneration for the Management Board members. Detailed conditions of applying malus clauses are defined in the Remuneration Policy of Santander Bank Polska Group and internal procedures.

## **VI. Rules related to guaranteed variable remuneration**

1st In specifically justified individual cases (on an exceptional basis) guaranteed variable remuneration may be granted (including inter alia remuneration arising from a bonus) as well as compensation for variable remuneration, in line with the principles defined in items 2-6 below.

2nd Generally, the amounts received as bonuses cannot be guaranteed, however, only during the first year of effective employment within the Bank, it is possible to guarantee that a minimum amount of variable remuneration will be paid out if:

2nd1st the capital base is sufficient for such a payment,

2nd2nd the Supervisory Board approves payment of guaranteed variable remuneration for due registration and reporting purposes.

3rd Where employees are recruited externally, their variable remuneration may be compensated (buy out) solely for the lowered or lost variable remuneration from the previous employer provided there is adequate evidence of such a loss and the benefit does not erode the solid capital base.

4th Detailed rules of compensating the variable remuneration are defined in a separate document.

5th The guaranteed variable remuneration may be awarded to an employee only once, upon signing a contract with the Bank on employment as a member of the Management Board. Such remuneration cannot be awarded if an employee changes their employment between the Bank Group's companies.

6th During the first year of employment, the guaranteed variable remuneration will not count for the purpose of the maximum amount of variable remuneration.

## **VII. Employment conditions**

1st Generally, the legal relationship between a Management Board member and the Bank is established in the employment contract. The Bank may also sign other agreements with the Management Board members.

2nd Contracts referred to in item 1 above are signed for a definite period when a Management Board member performs their function during the Management Board's term of office. Management Board members are appointed for a joint three-year term of office.

3rd The contract referred to in item 2 may be terminated upon the expiry of a mandate of the Management Board member, due to the member being removed from the Management Board, or upon their (voluntary) resignation from performing the function.

4th The termination notice for President of the Management Board is six months, while for other Management Board members it is three months.

5th In specific circumstances defined in employment contracts with members of the Management Board, severance may be paid by virtue of employment termination. The conditions for payment of severance by virtue of employment termination are laid down in details in the concluded employment contracts.

6th The Bank may sign non-competition agreements with the Management Board members, envisaging compensation for the period of refraining from competitive activities. The rules of payment and the non-competition periods are defined in a relevant non-competition agreement.

7th This Policy takes into account the employment and pay conditions offered to the Bank's employees other than members of the Management Board and the Supervisory Board, i.e. remunerating the employees adequately to their knowledge, skills and experience, while observing basic employment conditions.

8th In view of the need of the Bank's parent entity to comply with the consolidated supervision requirements, the Bank may carry out non-binding consultations with the Bank's parent entity with regard to the terms of employment defined in the contract referred to in item 1.

## **VIII. Final provisions**

1st The Remuneration Policy of Santander Bank Polska Group will apply to all matters not regulated herein.