

XIII. Statement on Corporate Governance in 2019

1. Legal and Regulatory Basis of Corporate Governance

The corporate governance framework applicable at Santander Bank Polska S.A. is based on existing laws (in particular the Commercial Companies Code, Banking Law and capital market regulations) as well as recommendations included in the following documents: the “Code of Best Practice for WSE Listed Companies” and “Principles of Corporate Governance for Supervised Institutions”.

This Statement on Corporate Governance in 2019 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.

2. Principles of Corporate Governance

Code of Best Practice for WSE Listed Companies

In 2019, Santander Bank Polska S.A. was subject to the rules of corporate governance and conduct set out in the Code of Best Practice for WSE Listed Companies, and appended to WSE Supervisory Board Resolution no. 26/1413/2015 of 13 October 2015.

This version of the Code became effective on 1 January 2016, once adopted for use by the bank’s Management Board (Resolution no. 160/2015 of 2 December 2015) and approved by the Supervisory Board (Resolution no. 61/2015 of 16 December 2015). The full text is available on WSE website (<http://www.gpw.pl>), section on corporate governance of listed companies, and on the bank’s website (<http://www.santander.pl>), “Investor Relations” tab.

Santander Bank Polska S.A. has complied with the official corporate governance rules since 2002 when the first issue of the code of best practice was published (Best Practice for Public Companies in 2002).

Principles of Corporate Governance for Supervised Institutions

Santander Bank Polska S.A. abides by Principles of Corporate Governance for Supervised Institutions as published by the KNF on 22 July 2014. The document describes internal and external relations of supervised institutions, including relationships with shareholders and customers, their organisation, corporate governance framework and key internal systems and functions, as well as statutory bodies and the rules of their cooperation. The aforementioned Principles are available on the KNF website (<http://www.knf.gov.pl>) via “Market” tab, and on the bank’s website (<http://www.santander.pl>) via the “Investor Relations” tab.

Principles of Corporate Governance for Supervised Institutions were adopted by Santander Bank Polska S.A. as of 1 January 2015 by virtue of Management Board Resolution no. 116/2014 of 9 October 2014 and Supervisory Board Resolution no. 58/2014 of 17 December 2014. As some of the above guidelines are also applicable to the bank’s shareholders, they were submitted to and approved by the General Meeting (GM) of Santander Bank Polska S.A. on 23 April 2015.

3. Management Board’s Statement on Corporate Governance

In 2019, Santander Bank Polska S.A. duly complied with all corporate governance rules set out in the existing version of the Code of Best Practice for WSE Listed Companies. In this period, no breaches of the above-mentioned regulations were reported.

4. Issuer's Securities

Structure of share capital

The table below presents the entities with significant holdings of Santander Bank Polska S.A. shares as at 31 December 2019 and 31 December 2018.

Shareholders with a stake of 5% and higher	Number of Shares and Voting Rights Held		% in the Share Capital & Voting Power at AGM	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Banco Santander S.A.	68 880 774	68 880 774	67,47%	67,47%
Nationale-Nederlanden OFE i Nationale-Nederlanden DFE ¹⁾	5 123 581	n/a	5,02%	n/a
Others	28 083 950	33 207 531	27,51%	32,53%
Total	102 088 305	102 088 305	100,00%	100,00%

Compared with 31 December 2018, the shareholding of Banco Santander S.A. did not change. From non-controlling shareholders only investment funds managed by Nationale-Nederlanden PTE S.A. exceeded the threshold of 5% as a result of purchase transactions settled on 12 December and 17 December 2019 (for more details see Chapter VII "Relations with Investors").

Rights and restrictions attached to the issuer's securities

The shares of Santander Bank Polska S.A. are ordinary bearer shares. Each share carries one vote at a General Meeting of Shareholders. The nominal value is PLN 10 per share. All the shares issued have been fully paid up.

The bank did not issue any series of shares that would give their holders any special control rights towards the issuer or would limit their voting power or other rights. Neither are there any restrictions on the transfer of title to the issuer's shares.

5. Governing Bodies

General Meeting

General Meetings in 2019

Annual General Meeting

The Annual General Meeting of Santander Bank Polska S.A. (AGM) held on 16 May 2019 approved the reports for 2018 submitted by the Management Board and the Supervisory Board, granted discharge to the members of these governing bodies for the performance of their duties in the previous year and agreed on the distribution of the net profit for 2018 and the retained net profit for 2016 and 2017, including dividend payment of PLN 19.72 per one share of series A, B, C, D, E, F, G, H, I, J, K, L and N and PLN 14.68 per one share of series M (for more information see Chapter VII "Relations with Investors", Subsection "Dividend per Share"). The AGM changed the remuneration of the Supervisory Board members and approved the Policy on the Suitability Assessment of Supervisory Board Members of Santander Bank Polska S.A. and Nomination and Succession Planning Policy for Supervisory Board Members of Santander Bank Polska S.A. It also updated the bank's Statutes (for more information see "Method of changing the Statutes" below).

Extraordinary General Meeting

The Extraordinary General Meeting of Santander Bank Polska S.A. (EGM) held on 23 September 2019 approved the division of Santander Securities S.A. in accordance with the Division Plan of 12 June 2019 and the sale of an organised part of the bank's enterprise, namely the Investment Services Centre operating as a separate organisational unit (for more information see Chapter X "Organisational and Infrastructure Development", Section "Sale of an organised part of enterprise"). The EGM also appointed a new Supervisory Board member (Isabel Guerreiro) and amended Resolution no. 41 of the Annual General Meeting of Shareholders of 17 May 2017 on remuneration of the Supervisory Board members. Furthermore, the EGM approved the amendments to the Policy on the Suitability Assessment of the Supervisory Board Members in Santander Bank Polska S.A., which had been introduced by the Supervisory Board, and introduced changes

to the bank's Statutes (see "Method of changing the Statutes" below for more information about the changes to the Statutes of Santander Bank Polska S.A.).

Organisation and powers of the General Meeting of Shareholders

The General Meeting of Santander Bank Polska S.A. (GM) is held as provided for in the Commercial Companies Code of 15 September 2000, Statutes of Santander Bank Polska S.A. and Terms of Reference of the General Meetings. The statutes as well as the terms of reference are available on the bank's website.

The GM agrees on the issues within its remit, as defined by the above laws and internal regulations.

The resolutions are voted on using an electronic voting system which returns the number of votes ensuring that they correspond to the number of shares held, and in the case of a secret ballot – allows shareholders to remain anonymous. Each share carries one vote.

Candidates for the Supervisory Board attain votes on an individual basis, in alphabetical order.

The GM is broadcast live online to all interested parties and a recording is available on the bank's website for later review.

Shareholders' rights

The rights of shareholders of Santander Bank Polska S.A. are set out in the Terms of Reference of the bank's GM in line with the Commercial Companies Code.

In particular, shareholders have the following rights with respect to the GM:

- Each shareholder may request that a list of shareholders be emailed free-of-charge to a valid address. Each shareholder may have access to the list of shareholders in the bank's Management Board office and request a copy of the list at their own expense.
- Shareholders may:
 - ✓ demand copies of requests included in the GM agenda one week before the GM;
 - ✓ have access to the GM's minutes and request copies of resolutions confirmed by the bank's Management Board as true copies;
 - ✓ request voting by secret ballot;
 - ✓ appeal against resolutions made by the GM in cases prescribed in the Commercial Companies Code;
 - ✓ seek information from the Management Board regarding issues on the GM agenda, as provided for by the Commercial Companies Code;
 - ✓ exercise their voting rights (each share carries one vote at the GM).
- Shareholders may attend the GM and vote personally or through proxies. In line with the GM Terms of Reference, shareholders may also participate in the GM via electronic communication channels.

Method of changing the Statutes

Pursuant to the general law, any amendments to the Statutes of Santander Bank Polska S.A. may be made by way of resolution of the GM and must be entered to the register of entrepreneurs in order to be valid. According to the Banking Law, such amendments also require consent from the KNF.

Pursuant to the resolutions of the General Meetings of Santander Bank Polska S.A. of 16 May 2019 and 23 September 2019, the bank's Statutes were amended as follows:

- Points 18, 19 and 20 were added to § 7(1), expanding the scope of the bank's business to include payment initiation services, account information services and agency services in relation to execution of acquiring agreements in accordance with the Act of 10 May 2018 amending the Payment Services Act.
- § 7(2)(7)(a) was refined to explicitly indicate the bank's right to act as an investment firm's agent.
- § 37(3)(3) was modified in relation to supervision over the compliance function, which may be exercised by the Management Board member or, directly, by the President.
- Point 9 was added to § 37a, authorising the bank's director to issue ordinances, following the change of the bank's structure in May 2018 and appointment of the bank's director.

The above amendments became effective after they had been approved by the KNF and registered by the relevant registry court, i.e. on 12 August 2019 and 30 October 2019.

Supervisory Board

Composition of the Supervisory Board

The table below presents the composition of the Supervisory Board of Santander Bank Polska S.A. as at 31 December 2019 and 31 December 2018:

Role in the Supervisory Board	Ref.	Composition as at 31.12.2019	Ref.	Composition as at 31.12.2018
Chairman of the Supervisory Board:	1.	Gery Byrne	1.	Gery Byrne
Vice Chairman of the Supervisory Board:	2.	José Luis de Mora	2.	José Luis de Mora
	-	-	3.	José Manuel Campa
	3.	José Garcia Cantera	4.	José Garcia Cantera
	4.	Danuta Dąbrowska	5.	Danuta Dąbrowska
Members of the Supervisory Board:	5.	Isabel Guerreiro	-	-
	6.	David Hexter	6.	David Hexter
	-	-	7.	Witold Jurcewicz
	7.	John Power	8.	John Power
	8.	Jerzy Surma	9.	Jerzy Surma
	9.	Marynika Woroszyńska-Sapieha	10.	Marynika Woroszyńska-Sapieha

Except for Isabel Guerreiro, the bank's Supervisory Board, in its composition as at 31 December 2019, was appointed by the Annual General Meeting held on 17 May 2017. Isabel Guerreiro was appointed as the Supervisory Board member under the resolution of the Extraordinary General Meeting of 23 September 2019. All the members of the Supervisory Board were elected for a joint three-year term of office.

Other changes the membership of the Supervisory Board in 2019 result from the following:

- resignation of José Manuel Campa on 4 March 2019 due to his involvement in the process of selecting the Executive Director of the European Banking Authority;
- death of Witold Jurcewicz on 18 September 2019.

The following members of the Supervisory Board held independent status: Danuta Dąbrowska, David Hexter, Jerzy Surma and Marynika Woroszyńska-Sapieha.

In 2019, 15 Supervisory Board meetings were held at which 99 resolutions were passed. Average attendance of the Supervisory Board members was 98,5%.

Members of the Supervisory Board of Santander Bank Polska S.A. have extensive expertise and considerable professional experience. The combined competencies and track record enable the members to effectively fulfil their supervisory duties.

Details about the academic background and professional experience of the bank's Supervisory Board members are presented below. They are also published on the bank's website at <https://bank.santander.pl/investor-relations/company/supervisory-board/supervisory-board.html>.

Role of the Supervisory Board

The Supervisory Board of Santander Bank Polska S.A. operates strictly under the Banking Law of 29 August 1997, the Commercial Companies Code of 15 September 2000, the bank's Statutes and the Terms of Reference of the Supervisory Board, available on the bank's website.

The Supervisory Board consists of at least five members appointed for a joint, three-year term of office. The Supervisory Board members, including the Chairman of the Supervisory Board, are appointed and removed by a General Meeting of Shareholders. The Management Board notifies the KNF about Supervisory Board membership.

Pursuant to the bank's Statutes, at least half the members of the Supervisory Board should be of independent status.

The Supervisory Board exercises ongoing supervision over all aspects of the bank's activities. It takes decisions in the form of resolutions which are adopted by an absolute majority of votes in open voting. Resolutions are voted upon in a secret ballot in cases stipulated by law,

in personal matters or at the request of any Supervisory Board member accepted by the Supervisory Board in a secret vote. The Supervisory Board's meetings are held as and when required and at least three times in any financial year. The Supervisory Board's members convene in a single location, or in different locations communicating via telephone or video links.

Supervisory Board Committees

The Supervisory Board may establish committees and designate individuals responsible for managing the work of such committees. These committees are designed to facilitate the current activities of the Supervisory Board by preparing draft Supervisory Board recommendations and decisions with regard to their own motions or the motions presented by the Management Board.

The following Supervisory Board committees operate in Santander Bank Polska S.A.: Audit and Compliance Committee, Risk Committee, Nominations Committee and Remuneration Committee. The responsibilities of the Committees are set out in their respective terms of reference introduced by virtue of the Supervisory Board resolutions.

The membership of the Supervisory Board committees is presented below.

		Supervisory Board Committees as at 31.12.2019 and 31.12.2018								
Role in the Supervisory Board	Ref. ¹⁾	Composition as at 31.12.2019 and 31.12. 2018	Audit and Compliance Committee		Risk Committee		Nominations Committee		Remuneration Committee	
			31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Chairman of the Supervisory Board:	1.	Gery Byrne					●	●	●	●
Vice Chairman of the Supervisory Board:	2.	José Luis de Mora					●	●	●	●
		José Manuel Campa ²⁾								●
	3.	José Garcia Cantera								
Members of the Supervisory Board:	4.	Danuta Dąbrowska	●	●			●	●	●	●
	5.	Isabel Guerreiro								
	6.	David Hexter	●	●	●	●				
		Witold Jurcewicz ²⁾		●				●		●
	7.	John Power			●	●				
	8.	Jerzy Surma	●	●	●	●	●	●		
	9.	Marynika Woroszyńska-Sapieha	●	●			●	●	●	●

● Chairman
● Members

1) The ordinal numbers are only assigned to the members of the Supervisory Board as at 31 December 2019.

2) José Manuel Campa and Witold Jurcewicz were the members of the Supervisory Board as at 31 December 2018. Changes to the composition of the Supervisory Board in 2019 are presented above in "Supervisory Board".

The annual reports on the activities of the Supervisory Board and its committees are approved by the Annual General Meeting of Santander Bank Polska S.A. and published on the bank's website.

Audit and Compliance Committee

Responsibilities and competencies of the Committee

The **Audit and Compliance Committee** supports the Supervisory Board in fulfilment of its oversight obligations towards shareholders and other stakeholders in terms of:

- ✓ the quality and integrity of the accounting policies, financial statements and disclosure practices;
- ✓ compliance of the bank's business with laws and internal regulations;
- ✓ independence and effectiveness of activities undertaken by internal and external auditors;
- ✓ the system of internal control and management of financial and non-financial risks.

Pursuant to its terms of reference, the Audit and Compliance Committee should convene at least four times per year at dates corresponding to the reporting and audit cycle. Additional meetings are held when necessary. In 2019, six Committee meetings were held.

As at 31 December 2019, all members of the Audit and Compliance Committee met the independence criteria in accordance with the bank's statutes and the Act of 11 May 2017 on statutory auditors, audit firms and public oversight.

The following members had the most relevant expertise and experience from the perspective of the Committee's roles and responsibilities:

- Danuta Dąbrowska: competencies in the area of accounting and review of financial statements confirmed by the ACCA certificate and membership.
- David Hexter: competencies in the banking area gained while holding executive positions in the banking and financial services sectors, including in Citibank and the EBRD..

Audit and Compliance Committee's oversight of auditor selection

Pursuant to the Policy of Auditor Selection at Santander Bank Polska S.A., the bank selects an entity authorised to audit financial statements pursuant to the following rules:

- The bank and the Committee may invite any audit firm to place bids for carrying out statutory audits on condition of a four-year cooling-off period after the end of the relationship following the expiry of the maximum duration of the engagement.
- An audit firm is selected taking into account findings and conclusions made in the final report of the Audit Supervision Authority (KNA) published on its website.
- The Audit and Compliance Committee's recommendation regarding the selection of an auditor takes into consideration the following aspects where applicable:

In the case of the initial engagement of an auditor:



- ✓ at least two audit firms to choose from, along with the rationale and the Committee's justified preference for one of them;
- ✓ competencies of the audit firms and their ability to perform the required services;
- ✓ independence of the auditor;
- ✓ legal requirements;
- ✓ consistency and effectiveness of the audit from the Group's perspective as well as from the higher-level consolidation perspective;
- ✓ comparison of individual proposals in accordance with the agreed criteria, having regard to the weights allocated on the basis of a relevant questionnaire.

In the case of reappointment of an auditor:



- ✓ assessment of the quality of services provided to date;
- ✓ independence of the auditor;
- ✓ legal requirements;
- ✓ consistency and efficiency of the audit from local Group perspective as well as from the higher level consolidation perspective.

- The same auditor is appointed for the audit of financial statements of the bank and consolidated financial statements of the Group. The same auditor may be appointed to perform all other audit-related services for the bank and the Group.
- The bank/ Group complies with the applicable laws with respect to the minimum and maximum duration of an audit engagement and the minimum cooling-off period after the expiry of the maximum duration.

The recommendation issued by the Audit and Compliance Committee before the appointment of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) to review and audit the financial statements of Santander Bank Polska S.A. and Santander Bank Polska Group for 2018 and 2019 met all the required criteria and was presented to the Supervisory Board as part of the selection procedure carried out in accordance with the applicable principles. The process included, among other things, the assessment of the PwC's independence and the quality of services provided to date.

Permitted non-audit services

In 2019, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., an audit firm appointed to audit the financial statements of Santander Bank Polska S.A. and its Group for 2018 and 2019, along with other entities from the PWC network, provided the following permitted non-audit services:

- ✓ review of interim financial statements of the bank/ Group;
- ✓ verification of consolidation packages;
- ✓ assurance services related to safekeeping of customers' assets and disclosures regarding capital adequacy and variable remuneration.

The Audit and Compliance Committee approved the appointment of an audit firm (i.e. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. and other entities from its network) to provide the foregoing permitted non-audit services. Before the relevant recommendations were presented to the Audit and Compliance Committee, the independence of the auditor had been verified with a positive outcome.

Once a year, before the conclusion of the audit of the Group's annual financial statements, aggregated information on non-audit services is sent to the Committee for verification of their potential impact on the auditor's independence and objectivity..

Risk Committee

The **Risk Committee** is specifically responsible for:

- ✓ issuing opinions on the bank's current and future risk appetite;
- ✓ issuing opinions on the risk management strategy developed by the bank's Management Board and on its execution;
- ✓ supporting the Supervisory Board in overseeing the implementation of the risk management strategy by the senior management;
- ✓ checking if the bank's business model and risk strategy are duly reflected in the prices of liabilities and assets offered to customers. If the result is negative, it makes a proposal to the Management Board to ensure adequacy of asset and liability prices in relation to different risk types.

The Risk Committee convenes at least four times per year at dates corresponding to the reporting and audit cycle. Additional meetings are held when necessary. In 2019, five Committee meetings were held.

Nominations Committee

Pursuant to its mission, the **Nominations Committee**:

- ✓ presents the Supervisory Board with recommendations with regard to appointing and removing members of the Supervisory Board and the Management Board as well as other senior-level positions at the bank;
- ✓ defines the policy on the selection and suitability assessment of Supervisory Board and Management Board members;
- ✓ participates in the competency assessment of candidates for members of these governing bodies;
- ✓ analyses succession plans for the Management Board and recommends them to the Supervisory Board.

The Committee holds regular meetings four times a year, as per the schedule agreed upon at the beginning of the year. Additional meetings are held when necessary. In 2019, four Committee meetings were held.

Remuneration Committee

The **Remuneration Committee** reviews and monitors the remuneration policy adopted by the bank and supports the General Meeting, the Supervisory Board and the Management Board in developing and implementing that policy. In particular, the Committee:

- ✓ defines the remuneration policy for the Management Board members, linking the performance remuneration scheme with long-term interests of the shareholders and the bank's objectives;
- ✓ recommends remuneration for all members of the Management Board in accordance with the agreed principles, taking into account the assessment of their performance. It includes variable remuneration components and eligibility criteria;
- ✓ provides the Supervisory Board with general recommendations for the level and structure of remuneration for senior executives and monitors the level and structure based on relevant information provided by the Management Board;
- ✓ verifies compliance with the criteria and conditions justifying the award of variable remuneration to the Management Board members.

The Committee holds regular meetings four times a year, as per the schedule agreed upon at the beginning of the year. Additional meetings are held when necessary. In 2019, five Committee meetings were held.

Management Board

The table below presents the composition of the Management Board of Santander Bank Polska S.A. as at 31 December 2019 and 31 December 2018 and the roles and responsibilities of its members.

Role in the Management Board	Ref.	Composition as at 31.12.2019	Reporting Areas as at 31.12.2019	Ref.	Composition as at 31.12.2018	Reporting Areas as at 31.12.2018
President:	1.	Michał Gajewski	Units reporting directly to the President: 1) Legal & Compliance Division, 2) units outside of the divisional structure: Internal Audit Area, Corporate Communications and Marketing Area, Business Model Transformation Area, Customer Excellence Centre, Classified Data Protection Unit, Corporate Governance Office	1.	Michał Gajewski	Units reporting directly to the President: 1) Legal & Compliance Division, 2) units outside of the divisional structure: Internal Audit Area, Corporate Communications and Marketing Area, Business Model Transformation Area, Customer Excellence Centre, Classified Data Protection Unit, Board Office
	2.	Andrzej Burliga	1) Risk Management Division, 2) Business Intelligence Area (unit outside of the divisional structure)	2.	Andrzej Burliga	1) Risk Management Division, 2) Business Intelligence Area
Vice Presidents:	3.	Michael McCarthy	Business & Corporate Banking Division	3.	Michael McCarthy	Business & Corporate Banking Division
	4.	Juan de Porras Aguirre	Santander Corporate & Investment Banking	4.	Juan de Porras Aguirre	Santander Corporate & Investment Banking
	5.	Arkadiusz Przybył	Retail Banking Division, Wealth Management Programme	5.	Arkadiusz Przybył	Retail Banking Division, Wealth Management Programme
Board Members:	-	-	-	6.	Feliks Szyszkowiak ¹⁾	Digital Transformation Division
	6.	Patryk Nowakowski ¹⁾	Digital Transformation Division	7.	Maciej Reluga	Financial Management Division
	7.	Maciej Reluga	Financial Management Division	8.	Carlos Polaino Izquierdo	Financial Accounting & Control Division
	8.	Carlos Polaino Izquierdo	Financial Accounting & Control Division	9.	Dorota Strojowska	Business Partnership Division
	9.	Dorota Strojowska	Business Partnership Division			

1) Following the resignation of Feliks Szyszkowiak as the Vice President of the Management Board as of 30 April 2019, Patryk Nowakowski was appointed as a member of the bank's Management Board in charge of the Digital Transformation Division as of 5 June 2019.

Except for Patryk Nowakowski, all members sitting on the bank's Management Board as at 31 June 2019 were appointed by the Supervisory Board on 16 May 2018. Patryk Nowakowski took up the position of the Management Board member in charge of the Digital Transformation Division as of 5 June 2019 after Feliks Szyszkowiak stepped down as the Vice President of the Management Board due to his appointment for a global executive position in Banco Santander Group. All the members of the management Board Board were elected for a joint three-year term of office.

Details about the academic background and professional experience of the bank's Management Board members are presented below. They are also published on the bank's website at <https://bank.santander.pl/investor-relations/company/managementboard/management-board.html>.

Appointment and removal of executives

Members of the Management Board of Santander Bank Polska S.A. are appointed and removed in accordance with the Commercial Companies Code, Banking Law and the bank's Statutes.

The bank's Management Board consists of at least three persons (including the Management Board President) appointed by the Supervisory Board for a joint three-year term of office. At least half of the Management Board members (including the Management Board President) are required to speak Polish, have a university degree, be permanent residents of Poland, have good knowledge of the Polish banking sector and experience of the Polish market to manage a Polish banking institution. Two Management Board members, including the Management Board President, are appointed with the approval of the KNF. Management Board members may be removed by the Supervisory Board or the General Meeting at any time.

Powers of executives

The Management Board of Santander Bank Polska S.A. manages and represents the bank. The Management Board holds powers not reserved by law or the bank's statutes for other governing bodies of the bank.

The Management Board takes decisions to raise obligations or transfer assets where the total value for one entity exceeds 5% of the bank's own funds. It may also, by way of resolution, delegate its powers to refer such decisions to other committees or persons at the bank. The Management Board members run the bank's affairs jointly, and in particular: define the bank's mission, set long-term action plans and strategic objectives, prepare assumptions for the bank's business and financial plans, approve proposed plans and monitor their performance, regularly report to the Supervisory Board on the bank's position in the scope and at the dates agreed with the Supervisory Board, appoint permanent or ad hoc committees and designate individuals responsible for managing the work of such committees. The committees are composed of both Management Board members and persons from outside the Management Board.

Management Board members acting severally do not have any specific powers and cannot take decisions on issuing or redeeming shares.

Permanent committees operating at the bank include:

- Assets and Liabilities Committee (ALCO)
- Credit Policy Forum for Retail Portfolios
- Credit Policy Forum for SME Portfolios
- Credit Policy Forum for Business and Corporate Portfolios
- Provisions Committee
- Operational Risk Management Committee (ORMCO)
- Disclosure Committee
- Information Management Committee
- Risk Management Committee
- Marketing Forum
- Risk Management Forum
- Anti-Money Laundering and Counter-Terrorism Financing Committee
- Urban Regeneration Fund Investment Committee
- Procurement Investment Committee
- Regulatory and Reputational Risk Committee
- Credit Committee
- Local Marketing and Monitoring Committee
- Public Policy Committee
- Restructuring Committee
- Responsible Banking and Corporate Culture Committee
- Capital Committee
- Suppliers Panel
- Capital Stress Test Forum
- Investment Advisory Committee
- Risk Control Committee
- Special Situations Management Committee
- Operations Committee of the Business Model Transformation Area
- Customer Value Committee
- General Compliance Committee

Role of the Management Board

The Management Board's operations are primarily governed by the Banking Law, the Commercial Companies Code, the bank's Statutes and the Terms of Reference of the Management Board, available on the bank's website.

According to the bank's Statutes, the following individuals are authorised to represent and bind the bank: a) the Management Board President acting individually, and b) two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a commercial representative, or two commercial representatives acting jointly. Attorneys may be appointed and authorised to act individually or jointly with any of the persons indicated in b) or with another appointed and authorised attorney.

The Management Board deals with all issues which have not been restricted to the remit of the General Meeting or the Supervisory Board. The Management Board takes decisions in the form of resolutions which are adopted by an absolute majority of votes in open voting. Secret ballots may be held in cases stipulated by law, in personal matters or at the request of any Management Board member accepted by the Management Board in a secret vote. Management Board meetings are held as required. Management Board members convene at the same time in a single location or in different locations communicating via telephone or video links.

Remuneration of Management and Supervisory Board members

Remuneration of Supervisory Board members

As at 31 December 2019, the rules for remunerating the Supervisory Board members of Santander Bank Polska S.A. were set by virtue of Resolution no. 41 of the Annual General Meeting dated 17 May 2017 and Resolution no. 34 of the Annual General Meeting dated 16 May 2018, which were amended by Resolution no. 31 of the Annual General Meeting dated 16 May 2019 and Resolution no. 7 of the Extraordinary General Meeting dated 23 September 2019. The above rules were determined in accordance with EU guidelines, latest domestic laws, corporate governance rules for supervised entities and the Remuneration Policy for Supervisory Board Members of Santander Bank Polska S.A.

Gerry Byrne, José García Cantera, Isabel Guerreiro and José Luis de Mora did not receive remuneration for their membership of the Supervisory Board. Other members of the Supervisory Board are paid monthly remuneration and remuneration for participation in each of the meetings of the Supervisory Board Committees on which they sit.

The table below presents the remuneration paid to members of the Supervisory Board of Santander Bank Polska S.A. in 2018 and 2019.

First and last name	Position	2019 ²⁾		2018	
		Period	PLN k	Period	PLN k
Gerry Byrne ¹⁾	Chairman of the Supervisory Board	01.01.2019-31.12.2019	-	01.01.2018-31.12.2018	-
José Luis de Mora ¹⁾	Vice Chairman of the Supervisory Board	01.01.2019-31.12.2019	-	01.01.2018-31.12.2018	-
José Manuel Campa ¹⁾	Member of the Supervisory Board	01.01.2019-04.03.2019	-	01.01.2018-31.12.2018	-
José García Cantera ¹⁾	Member of the Supervisory Board	01.01.2019-31.12.2019	-	01.01.2018-31.12.2018	-
Danuta Dąbrowska	Member of the Supervisory Board	01.01.2019-31.12.2019	261	01.01.2018-31.12.2018	232
Isabel Guerreiro ¹⁾	Member of the Supervisory Board	23.09.2019-31.12.2019	-		n/a
David Hexter	Member of the Supervisory Board	01.01.2019-31.12.2019	299	01.01.2018-31.12.2018	274
Witold Jurcewicz	Member of the Supervisory Board	01.01.2019-18.09.2019	211	01.01.2018-31.12.2018	231
John Power	Member of the Supervisory Board	01.01.2019-31.12.2019	317	01.01.2018-31.12.2018	198
Jerzy Surma	Member of the Supervisory Board	01.01.2019-31.12.2019	304	01.01.2018-31.12.2018	269
Marynika Woroszyńska-Sapieha	Member of the Supervisory Board	01.01.2019-31.12.2019	256	01.01.2018-31.12.2018	228

¹⁾ Gerry Byrne, José Manuel Campa, José García Cantera and José Luis de Mora did not receive remuneration for their membership of the Supervisory Board.

²⁾ Changes to the composition of the Supervisory Board in 2019 are presented above in "Supervisory Board".

John Power additionally received PLN 44.3k in 2019 (PLN 37.3k in 2018) from his membership of the Supervisory Board of the bank's subsidiary. No other Supervisory Board member sat on the boards of subsidiaries or associates of Santander Bank Polska S.A.

In 2019, John Power was also paid the remuneration of PLN 1,720.6k as he single-handedly supervised the integration of the demerged part of Deutsche Bank Polska S.A. into the structures of Santander Bank Polska S.A. (PLN 853.5k in 2018).

Remuneration of Management Board members

Agreements between Santander Bank Polska S.A. and its executives

The Management Board members signed employment contracts with Santander Bank Polska S.A. for the current term of office. The contractual terms and conditions comply with general laws and internal regulations. The Management Board members also signed agreements prohibiting competitive activity after termination of their employment with Santander Bank Polska S.A.

A Management Board member who is not appointed for a new term of office or is removed from the Board is entitled to one-off severance pay. It does not apply to Management Board members who accept a new role in the bank, are removed due to gross negligence, resign or are not granted discharge.

Santander Bank Polska S.A. does not have an obligation to pay pension or other similar benefits to former members of the Management Board and Supervisory Boards.

Internal regulations concerning remuneration for executives

The rules regarding fixed and variable components of remuneration for the Management Board members are set out in the Remuneration Policy for Members of the Management Board of Santander Bank Polska S.A. introduced by virtue of Resolution of the Supervisory Board no. 79 of 11 December 2019 and in the Remuneration Policy of Santander Bank Polska Group updated in 2019 and effective since 15 June 2019.

Fixed remuneration

Pursuant to the Statutes of Santander Bank Polska S.A. and the above-mentioned policies, the remuneration of the President and members of the Management Board is set by the Supervisory Board, taking into account recommendations of the Remuneration Committee. The Committee defines the remuneration policy for Management Board members and individual terms and conditions as part of remuneration packages for each Management Board member.

The table below presents the total remuneration and additional benefits received by members of the Management Board of Santander Bank Polska S.A. in 2018 and 2019 for their membership of the Management Board.

First and last name	Position	2019			2018		
		Period	Remuneration (PLN k)	Additional benefits ²⁾ (PLN k)	Period	Remuneration (PLN k)	Additional benefits ²⁾
Michał Gajewski	President of the Management Board	01.01.2019-31.12.2019	2 171	90	01.01.2018-31.12.2018	2 082	93
Andrzej Burliga	Vice President of the Management Board	01.01.2019-31.12.2019	1 308	92	01.01.2018-31.12.2018	1 198	93
Michael McCarthy	Vice President of the Management Board	01.01.2019-31.12.2019	1 383	25	01.01.2018-31.12.2018	1 301	24
Juan de Porras Aguirre	Vice President of the Management Board	01.01.2019-31.12.2019	1 356	52	01.01.2018-31.12.2018	1 273	50
Arkadiusz Przybył	Vice President of the Management Board	01.01.2019-31.12.2019	1 332	90	01.01.2018-31.12.2018	1 288	92
Mirosław Skiba	Vice President of the Management Board		n/a	n/a	01.01.2018-16.05.2018	389	46
Feliks Szyzkowskiak	Vice President of the Management Board	01.01.2019-30.04.2019	366	67	01.01.2018-31.12.2018	1 066	93
Artur Chodacki	Member of the Management Board		n/a	n/a	01.01.2018-16.05.2018	272	34
Patryk Nowakowski	Member of the Management Board	05.06.2019-31.12.2019	557	44		n/a	n/a
Carlos Polaino Izquierdo	Member of the Management Board	01.01.2019-31.12.2019	1 577	308	01.01.2018-31.12.2018	1 491	320
Marcin Prell	Member of the Management Board		n/a	n/a	01.01.2018-16.05.2018	338	35
Maciej Reluga	Member of the Management Board	01.01.2019-31.12.2019	972	91	01.01.2018-31.12.2018	883	92
Dorota Strojowska	Member of the Management Board	01.01.2019-31.12.2019	1 074	91	01.01.2018-31.12.2018	992	93

1) Changes to the composition of the Management Board in 2019 are presented above in "Management Board".

2) Additional benefits received by the Management Board members include, among other things, life insurance cover without pension option and, in case of Juan de Porras Aguirre and Carlos Polaino Izquierdo, also medical cover, accommodation, travel expenses and school fees.

In 2019, Management Board members were paid an allowance of PLN 309.8k in lieu of annual leave (PLN 146.3k in 2018).

In both periods, no Management Board member received remuneration for their membership in the governing bodies of the subsidiaries or associates.

In 2018, Mirosław Skiba received additional remuneration of PLN 1,105k in relation to the termination of his employment contract and the non-competition clause.

Awards paid

The rules for determining variable remuneration for Management Board members and material risk takers are laid down in the Remuneration Policy of Santander Bank Polska Group. These rules are regularly (or at least annually) reviewed by the Remuneration Committee of the Supervisory Board.

Management Board members are paid variable remuneration once a year following the end of the settlement period and release of the bank's results. Variable remuneration is awarded in accordance with the applicable bonus regulations for Management Board members (adopted by virtue of the Supervisory Board's resolution), which set out the principles for determination of a bonus and a bonus pool depending on the achievement of personal objectives as well as business and financial objectives of an organisational unit and the bank. The performance is assessed against the financial and non-financial criteria for the period of minimum three years to take into account the bank's economic cycle and business risk.

The total variable remuneration paid to Management Board members and material risk takers for a given calendar year cannot exceed 100% of the total fixed remuneration paid. However, in exceptional cases, this limit may be increased up to 200% of fixed remuneration subject to the approval of the bank's General Meeting.

Variable remuneration is awarded in accordance with bonus regulations and paid in cash and phantom stock. The latter shall represent min. 50% of the total amount of variable remuneration. Payment of min. 40% of variable remuneration is conditional and deferred for the period of three years. It is paid in arrears in equal annual instalments depending on the individual performance in the analysed period and the value of the phantom stock.

The table below presents awards paid to the Management Board members in 2018 and 2019.

First and last name	Position	2019 ¹⁾		2018	
		Period	Benefits ²⁾ (in PLN k)	Period	Benefits ³⁾ (in PLN k)
Michał Gajewski	President of the Management Board	01.01.2019-31.12.2019	1 650	01.01.2018-31.12.2018	690
Andrzej Burliga	Vice President of the Management Board	01.01.2019-31.12.2019	1 060	01.01.2018-31.12.2018	1 142
Michael McCarthy	Vice President of the Management Board	01.01.2019-31.12.2019	1 252	01.01.2018-31.12.2018	1 224
Juan de Porras Aguirre	Vice President of the Management Board	01.01.2019-31.12.2019	1 452	01.01.2018-31.12.2018	1 415
Arkadiusz Przybył	Vice President of the Management Board	01.01.2019-31.12.2019	806	01.01.2018-31.12.2018	345
Mirosław Skiba	Vice President of the Management Board		n/a	01.01.2018-16.05.2018	1 155
Feliks Szyszkowskiak	Member of the Management Board	01.01.2019-30.04.2019	1 185	01.01.2018-31.12.2018	1 170
Artur Chodacki	Member of the Management Board		n/a	01.01.2018-16.05.2018	514
Patryk Nowakowski	Member of the Management Board	05.06.2019-31.12.2019	n/a		
Carlos Polaino Izquierdo	Member of the Management Board	01.01.2019-31.12.2019	906	01.01.2018-31.12.2018	838
Marcin Prell	Member of the Management Board		n/a	01.01.2018-16.05.2018	926
Maciej Reluga	Member of the Management Board	01.01.2019-31.12.2019	577	01.01.2018-31.12.2018	255
Dorota Strojowska	Member of the Management Board	01.01.2019-31.12.2019	558	01.01.2018-31.12.2018	267

1) Changes to the composition of the Management Board in 2019 are presented above in "Management Board".

2) The awards paid in 2019 include part of the award for 2014-2017 which was conditional and deferred in time, and non-deferred part of the award paid in 2018.

3) The awards paid in 2018 include part of the award for 2017, 2016, 2015 and 2014 which was conditional and deferred in time.

Pursuant to the remuneration system applicable at the bank, Management Board members may be conditionally entitled to a bonus for 2019 which would be paid in part in 2020 and thereafter, if specific criteria are met. As at the date of these financial statements, the Supervisory Board did not take a decision in this respect.

Performance Share Programme

In 2019, the bank continued the sixth edition of the three-year incentive programme (6th Incentive Programme) launched by the bank's Annual General Meeting on 17 May 2017. The programme is dedicated to the employees of the bank and the subsidiaries that have a key contribution to the value of the organisation and its main objective is to retain and motivate top-performing executives.

The incentive programme covers no more than 250 key employees of Santander Bank Polska Group indicated by the Management Board and approved by the Supervisory Board, inclusive of all Management Board members. The participants include a specific group of material risk takers (identified participants) to whom separate award criteria apply. For the purpose of the programme, the bank will issue up to 250,000 performance shares.

Having executed an agreement with the bank and satisfied the vesting criteria set out in the agreement, the participants will be eligible to subscribe for and acquire a stated number of the bank's shares at a nominal value of PLN 10 each. The award and its amount depends on the satisfaction of the economic criteria, i.e. the level of the compound annual growth rate of PAT and the annual average RoRWA in 2017-2019. The award for material risk takers is granted at the time of execution of an agreement and is either retained or reduced on the basis of the analysis of economic (PAT growth rate, RoRWA) and qualitative criteria (customer satisfaction, employee engagement) in the consecutive years of the programme.

The three-year long 6th Incentive Programme is monitored on a quarterly basis to verify if any employees have lost their participant status. The usual reason for the loss of such status is termination of employment, either with the bank or another entity of Santander Bank Polska Group. Furthermore, the Business Partnership Division monitors the underlying financial ratios in cooperation with the Financial Accounting and Control Division.

Shares and conditional rights held by Supervisory and Management Board members

As at the release dates of the Annual Reports of Santander Bank Polska Group for 2019 and 2018, respectively, none of the members of the Supervisory Board held any shares or attached conditional rights to shares of Santander Bank Polska S.A.

The table below shows shares and attached conditional rights to shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the reports for the annual periods ended 31 December 2019 and 31 December 2018.

Management Board Members	20.02.2020		22.02.2019	
	No. of Santander Bank Polska shares	Rights (6th Incentive Scheme)	No. of Santander Bank Polska shares	Rights (6th Incentive Scheme)
Michał Gajewski	-	5 420	-	5 420
Andrzej Burliga	1 389	2 820	4 389	2 820
Michael McCarthy	1 528	3 250	1 528	3 250
Patryk Nowakowski	329	820	n/a	n/a
Carlos Polaino Izquierdo	631	2 820	631	2 820
Juan de Porras Aguirre	1 397	2 240	1 397	2 240
Arkadiusz Przybył	-	3 390	-	3 390
Maciej Reluga	505	2 030	505	2 030
Dorota Strojowska	635	2 370	635	2 370
Feliks Szyzkowski	n/a	n/a	1 621	2 880
Razem	6 414	25 160	10 706	27 220

1) Changes to the composition of the Management Board in 2019 are presented above in "Management Board".

Relationship between the remuneration paid to Management Board members and key managers and long-term business and financial objectives of the company

The remuneration policy of Santander Bank Polska S.A., which provides for, among other things, variable components of remuneration paid to material risk takers (identified employees), has an overall objective to incentivise employees, and is strictly connected with the achievement of strategic goals, short- and long-term operational objectives and the financial and non-financial results of the company.

Variable remuneration is awarded to material risk takers of Santander Bank Polska S.A. on the basis of an assessment of individual performance, results of the reporting organisational unit or the area of responsibility, and business performance of the bank, taking into account the bank's business cycle and risk arising from its operations. The assessment is made as part of the performance review system applicable at the bank.

In addition to financial ratios, the annual objectives of the bank's Management Board include qualitative (customer satisfaction, employee engagement) and risk metrics which reflect the sustainable management strategy. The objectives are described in detail in the balanced scorecard. They are communicated at the beginning of the year and monitored accordingly.

Pursuant to the policy on variable components of remuneration, min. 40% of variable remuneration for executives is deferred for the period of three years and paid in three equal annual instalments, unless there are reasons for reduction or non-payment. Furthermore, min. 50% of remuneration is paid in the form of financial instruments, mainly phantom stock based on the bank's shares.

In addition, Management Board members and key employees may receive awards under long-term incentive programmes (and take up the bank's shares at their nominal value). The purpose of these programmes is to retain the above-mentioned staff and improve the efficiency and value of the organisation. The programmes set out in detail the criteria that must be met by Management Board members and other participants for an award to be granted, and the right of the bank's Supervisory Board to change the terms and conditions of the incentive programme, e.g. in the event of any substantial deterioration of the financial standing or the risk profile. For more information on the 6th Incentive Programme, see the "Performance Share Programme" section.

Other transactions with the bank's executives

Loans and advances

Loans and advances granted by Santander Bank Polska S.A. to the bank's managers and their relatives totalled PLN 9,316k as at 31 December 2019 vs. PLN 10,103k as at 31 December 2018. These facilities were sanctioned on regular terms.

Deposits placed with Santander Bank Polska S.A. by the bank's executives and their relatives totalled PLN 15,516k as at 31 December 2019 vs. PLN 13,714k as at 31 December 2018.

Provisions for employee benefits

Provisions for employee benefits of PLN 52,702k (PLN 59,853k in 2018) disclosed in Note 53 to the Consolidated Financial Statements of Santander Bank Polska Group for 2019 include the provisions for unused holidays related to members of the bank's Management Board.

6. Diversity Policy

Management of diversity within the bank's activities

For many years now, Santander Bank Polska S.A. has been committed to promoting diversity in accordance with best practice and ensuring equal treatment of employees and other stakeholders regardless of their gender, age, education, health conditions, race, religion, national or ethnic origin, political beliefs, trade union membership, family status or sexual orientation.

Aspects such as respect for individuality, promotion of equal treatment and the prevention of discrimination have been addressed by a number of policies and procedures applicable at the bank:

- The Sustainability Policy of Santander Bank Polska S.A., which sets out the following principles with respect to employee relationships:
 - ✓ to respect diversity and prevent discrimination because of gender, race, age or on any other grounds;
 - ✓ to encourage equal treatment of employees and aspire to have a balanced representation between men and women in all functions and responsibilities.
- The Human Rights Policy of Santander Bank Polska S.A., which establishes a set of principles regarding the relationships with various stakeholders, including commitment to:
 - ✓ ensure equal access to employment and promotion, and protection against discrimination based on age, gender, race, religion, origin, marital status or financial situation;
 - ✓ prevent and eliminate disrespect and abuse at work.
- The Respect and Dignity Policy of Santander Bank Polska S.A.:
 - ✓ set out prevention and intervention measures with respect to discrimination, bullying and harassment;
 - ✓ establish channels and procedures for reporting/ analysing suspected violation of law, procedures, standards and employee relationships.

As a signatory to the Diversity Charter (i.e. an active participant of the international initiative supported by the European Commission), Santander Bank Polska S.A. has committed to:

- creating a corporate culture that encourages respect for diversity;
- developing policies and mechanisms that effectively support equal treatment and diversity management at work;
- promoting benefits of diversity among stakeholders (employees, communities, shareholders and customers);
- reporting on measures taken and their outcome.

The principles promoting diversity and equal treatment are applied at each stage of the employee lifecycle, starting from recruitment and throughout the employee's time with the organisation (terms of employment, access to training and development initiatives, promotion opportunities) to the termination of employment with the bank.

As part of its diversity agenda, the bank takes measures to provide barrier-free banking for disabled customers and raise their awareness of existing facilities and enhancements (in cooperation with the Polska bez Barrier Foundation).



The Differently Aabled (Różnosprawni) project run by the bank supports the creation of an inclusive and diverse work environment by employing people with disabilities. To that end, measures were continued in 2019 to increase the awareness of rights and needs of the disabled among employees and managers.

Diversity policy with respect to supervisory and management bodies

The bank pursues its diversity strategy with respect to selection, assessment of competencies and succession of members of supervisory and management bodies. Not only does it strive to ensure that members of the Management and Supervisory Boards have a wide range of capabilities, professional skills, adequate experience and good reputation, but it is also committed to having a balanced representation between men and women on these boards, while ensuring diversity in terms of age, academic and professional background and geographical origin.

The Management Board Diversity Policy of Santander Bank Polska S.A. promotes diversity among the Management Board members in terms of their qualities and skills to ensure different perspectives and experience needed to support independent judgment and informed decision making based on a selection of suitable criteria. The Supervisory Board strives to achieve the objective of at least 30% female representation on the Management Board by 2025, while ensuring geographical diversity in the membership. The Nominations Committee of the Supervisory Board will take into account all personnel of Santander Group and business objectives related to cross-border activities.

The Appointment and Succession Policy for Management Board Members and Key Function Holders of Santander Bank Polska S.A. is to ensure the continuity of business processes delivered by senior managers, while achieving the best possible balance of gender, knowledge, skills and experience. Diversity is also reflected in the policies of Santander Bank Polska S.A. on the selection and suitability assessment of members of the Management and Supervisory Boards and key function holders. Aside from relevant academic background, professional experience and good repute, these policies require that candidates for members of Supervisory and Management Boards have a wide range of qualities and skills as well as independence of mind.

As at 31 December 2019, there were three women on the bank's Supervisory Board: Danuta Dąbrowska, Marynika Woroszyńska-Sapieha and Isabel Guerreiro and one woman on the Management Board: Dorota Strojowska, Head of the Business Partnership Division. Women accounted for 22% of supervisory and executive staff and 45,3% of senior management.

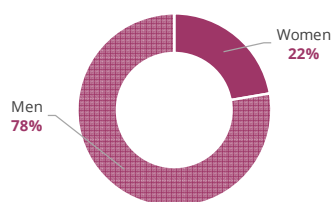
The current composition of the Supervisory and Management Boards as well as the population of other major risk takers ensure diversity in terms of gender, age, experience and academic background. The tables and graphs below show diversity levels at the bank:

Sex	Women	Men			
Supervisory Board	3	6			
Management Board	1	8			

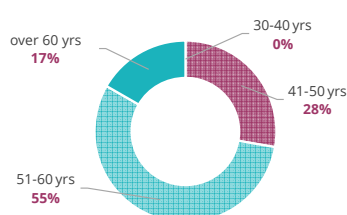
Age	41-50	51-60	over 60		
Supervisory Board	1	5	3		
Management Board	4	5	-		

Years of employment with Santander Bank Polska S.A.	up to 5	6-10	11-15	16-20	21-25
Supervisory Board	1	7	-	1	-
Management Board	3	2	2	1	1

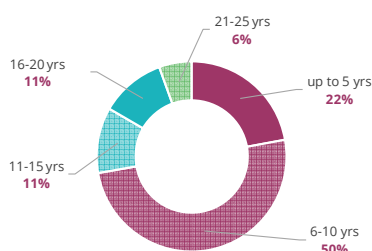
SEX OF SUPERVISING AND EXECUTIVE STAFF OF SANTANDER BANK POLSKA S.A.



AGE OF SUPERVISING AND EXECUTIVE STAFF OF SANTANDER BANK POLSKA S.A.



WORK EXPERIENCE OF SUPERVISING AND EXECUTIVE STAFF WITH SANTANDER BANK POLSKA S.A.



7. Control System of Financial Statements

Internal control and risk management system

Internal control system

Santander Bank Polska Group has an internal control system in place which comprises the control function, the compliance unit and the independent internal audit unit. The internal control system supports decision-making processes, contributes to an increase in operational efficiency, and ensures the reliability of financial reporting and its compliance with laws, international standards, internal regulations, regulatory requirements (KNF's Recommendation H) and best banking practice. The internal control system is tailored to the organisational structure, risk management system and market environment. It covers the Business Support Centre, branches, partner outlets and subsidiaries. The Management Board of the bank is charged with developing and implementing an effective internal control system across all organisational units and positions. It is also responsible for updating internal regulations and establishing adequacy and effectiveness criteria for evaluating the internal control system. The role of the Management Board is to define and take relevant measures to remove any deficiencies promptly after they are identified. Oversight of the implementation and the annual assessment of the internal control system is exercised by the Audit and Compliance Committee of the Supervisory Board of Santander Bank Polska S.A.

The Internal Control System Policy of Santander Bank Polska S.A. defines, among other things, the objective, structure and scope of the internal control system. Detailed regulations describe responsibilities as part of the internal control system, rules for identifying processes and risks that are material from the point of view of the control environment, along with their controls, risk control mechanisms and inspections carried out as part of independent monitoring of controls. The purpose of monitoring, testing and reporting is to ensure that the control environment is effective in terms of design and operation of the controls, and to strengthen the control culture at all levels within the organisation.

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

THREE LINES OF DEFENCE IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS



Each organisational unit operates in line with their terms of reference approved by the head of the division. The document defines the roles and responsibilities within each business area, including the quality and processing of financial data. The Group's internal control system enables regular verification of controls in terms of their effectiveness. The results are escalated to and reviewed by the bank's Management Board and the Audit and Compliance Committee of the Supervisory Board of Santander Bank Polska S.A.

Controls in financial reporting processes

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

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

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

To manage risk associated with the preparation of financial statements, the bank monitors legal and regulatory changes related to reporting obligations and updates its accounting principles and disclosures accordingly. The bank, through its representatives sitting on the supervisory boards of individual subsidiaries, exercises oversight of its consolidated entities.

Financial statements are approved by the Disclosure Committee, which is responsible for ensuring that the financial disclosures of Santander Bank Polska Group comply with all legal and regulatory requirements before they are released.

The bank's management confirms that the controls in place effectively mitigate the risk of any failure to identify any material error in the financial statements.

The effectiveness of controls in financial reporting is additionally assessed by an independent external auditor as part of the annual certification process for compliance with the Sarbanes-Oxley Act

Internal control under the Sarbanes-Oxley Act and other regulations

In the light of the Sarbanes-Oxley Act, Santander Bank Polska Group operates as a material and independent organisation within the structure of Santander Group and as such is required to implement, maintain and assess the effectiveness of the internal control environment pursuant to the above-mentioned act.

The certification process for compliance with the Sarbanes-Oxley Act in 2019 covered all key business areas of Santander Bank Polska S.A. and was carried out using solutions and methodology based on Santander Group's approach. The scope of testing included risk factors which were particularly significant for the reliability and accuracy of financial statements, taking into account the local control environment.

In view of the requirements arising from external regulations, Santander Bank Polska S.A. took measures to ensure that its internal control system complies with the Volcker Rule (section 619 of 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 Regulation of the Minister of Finance on the risk management system, internal control system, remuneration policy and detailed method of internal capital estimation in banks, and KNF's Recommendation H on the internal control system in banks.

The assessment of the design and effectiveness of the internal control system covers all available information and related recommendations, including audit and post-inspection recommendations. Results of assessments and tests form the basis for the bank's management to make representations on the effectiveness of the control environment.

As part of the SOX certification process for 2019, the bank's management confirmed that no incidents were identified in Santander Bank Polska Group which could significantly affect the relevant processes and threaten the effectiveness of the internal control over financial reporting.

Auditor

In accordance with the bank's Statutes and applicable regulations, on 12 December 2018 the bank's Supervisory Board adopted Resolution no. 82/2018 re-appointing PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) as an entity to:

- review the bank's financial statements and the Group's consolidated financial statements for H1 2019;
- audit the bank's financial statements and the Group's consolidated financial statements for 2019.

On 10 July 2019, the bank signed an agreement with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (PwC) on the audit and review of financial statements for the above-mentioned periods. The foregoing audit firm has been providing services to the bank since 2016.

The bank has used advice services provided by this firm and other entities from the PwC network. In the bank's view, the above services do not affect the impartiality or independence of the auditor.

Santander Bank Polska S.A. and Banco Santander S.A. retain auditors from the same network, which ensures a consistent approach to the audit process across Santander Group.

Santander Bank Polska S.A. selects the entity authorised to audit financial statements pursuant to the Policy of Auditor Selection adopted on 4 October 2017, taking into account the EU law (Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities) and the Polish law (Act of 11 May 2017 on statutory auditors, audit firms and public supervision), in particular with regard to the principle of rotation of auditors.

Remuneration of external auditor

The table below shows the remuneration paid to PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) in 2019 and 2018 for audit/ review of the financial statements of Santander Bank Polska S.A. and its subsidiaries, and for other permitted assurance services rendered under the agreements in place.

Remuneration of External Auditors (in PLN k)	Reporting Year ended on 31.12.2019	Reporting Year ended on 31.12.2018
Audit fees in respect of the parent bank ¹⁾	2 738	3 109
Audit fees in respect of the subsidiaries	2 190	2 114
Audit fees related to assurance services, including the review of the parent bank and subsidiaries ²⁾	980	908
Fees for non-assurance services ³⁾	31	493

1) Remuneration for audits performed by PricewaterhouseCoopers sp. z o.o. Audyt sp. k. in 2019 and 2018 under the Agreement with Santander Bank Polska S.A. on audit and review of financial statements of 10 July 2019 and 9 May 2018. In 2018, the scope of services included the activities connected with the acquisition of a demerged part of Deutsche Bank S.A. by Santander Bank Polska S.A.

2) Remuneration for the review of financial statements under the agreements referred to in point 1 and for services related to verification of capital adequacy disclosures and assessment of compliance with requirements regarding the custody of customers' assets.

3) Remuneration paid in 2019 in respect of non-assurance services refers to the agreed procedures related to the Jessica projects.

8. Pending Court Proceedings

As at 31 December 2019, no case was pending before any court or state administration agencies with regard to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

Court Proceedings with Santander Bank Polska as a Party (in PLN m)	31.12.2019	31.12.2018
Amounts claimed by the Group	925,7	730,1
Claims against the Group ¹⁾	604,3	550,8
Receivables due to bankruptcy or arrangement cases	49,4	47,2
Value of all litigation	1 579,4	1 328,1
Share [%] of all litigation in equity	5,85%	4,98%
Completed significant court proceedings	635,2	565,3

As at 31 December 2019, the following cases were brought against Santander Bank Polska Group:

- 1,482 lawsuits over loans indexed to, or denominated in, a foreign currency (mainly CHF), with the disputed amount totalling PLN 295.4m. This included two class actions filed under the Act on pursuing claims through group proceedings (a class action regarding 527 loans indexed to CHF, with PLN 47.0m claimed, and a class action regarding 31 loans indexed to CHF, with PLN 38k claimed);
- 130 lawsuits relating to a partial reimbursement of arrangement fees on consumer loans.

More information on legal disputes is presented in Note 47 "Contingent liabilities" to the Consolidated Financial Statements of Santander Bank Polska Group for 2019. Furthermore, Chapter XII, Section 3 "Material Risk Factors Projected for 2020" discusses risks connected with the rulings of the Court of Justice of the European Union (CJEU) on the consequences of holding terms of the CHF-indexed loan agreement unfair (C-260/18) and on partial reimbursement of credit fees in the event of early repayment of a consumer loan (C 383/18).