

## Information for shareholders of Santander Bank Polska S.A.

### **Justification for the resolutions to be considered by the Annual General Meeting convened for 27 April 2022 together with information related to the items of the agenda under which resolutions will not be passed**

#### **I. Justification for the agenda.**

Pursuant to Article 395 § 2-2<sup>1</sup> and § 5 of the Commercial Companies Code, the Annual General Meeting (AGM) should:

- 1) review and approve the Management Board's report on the bank's performance and the financial statements for the previous financial year;
- 2) adopt a resolution on profit distribution or loss coverage;
- 3) give discharge to the members of the company's governing bodies;
- 4) take a resolution with an opinion on the Supervisory Board's report on remuneration;
- 5) review and approve the financial statements of the Group.

The Annual General Meeting agenda may also include other matters.

The Supervisory Board has issued a positive opinion on the agenda of the Annual General Meeting convened for 27 April 2022.

#### **II. Review and approval of the financial statements of Santander Bank Polska S.A. for 2021.**

Review and approval of consolidated financial statements of Santander Bank Polska Group for 2021.

Review and approval of the Management Board Report on Santander Bank Polska Group Performance in 2021 (containing the Management Board report on Santander Bank Polska S.A. performance in 2021).  
(items 5-7 of the agenda)

The adoption of resolution on the above said matters by the AGM results from 395 § 2(1) and § 5 in relation to Article 393(1) of the Commercial Companies Code.

The said financial statements and reports were made public on 23 February 2022.

The Supervisory Board assessed the annual financial statements and the Management Board report for 2021 as well as the respective draft resolutions prepared by the Bank's Management Board.

#### **III. Profit distribution, dividend record date, dividend payment date and the decision related to the reserve capital established on the basis of Annual General Meeting Resolution no. 6 of 22 March 2021 (item 8 of the agenda)**

In accordance with 395 § 1(4) of the Commercial Companies Code, the adoption of a resolution on profit distribution falls within the powers of the Annual General Meeting.

The Management Board's justification for the profit distribution represents an appendix to the respective draft of the AGM resolution.

The Supervisory Board issued a positive opinion on the Management Board's recommendation on profit distribution.

#### **IV. Granting discharge to Members of the Management Board of Santander Bank Polska S.A. (item 9 of the agenda)**

The adoption of a resolution on granting discharge to the Management Board members by the AGM results from 395 § 2(3) in relation to Article 393(1) of the Commercial Companies Code.

The Supervisory Board issued a positive opinion on the draft resolution in this respect.

#### **V. Review of the Supervisory Board's Report on remuneration of the members of the Management Board the Supervisory Board in 2021 (item 10 of the agenda)**

The need to adopt a resolution on the Supervisory Board's report on remuneration of the members of the Management Board and the Supervisory Board in 2021 arises from Article 395 § 2<sup>1</sup> of the Commercial Companies Code in relation to Article 90g(6) of the Act on public offering, conditions for introducing financial instruments to organized trading and on public companies.

The Supervisory Board adopted the Supervisory Board's Report on remuneration of the members of the Management Board and the Supervisory Board in 2021 at its meeting on 31 March 2022 – the document was reviewed by the statutory auditor whose opinion is attached to papers submitted to the AGM published at the Bank's website.

#### **VI. Approval for the Santander Bank Polska S.A. Supervisory Board's report on its activities in the 2021, report on the examination of: Santander Bank Polska S.A. financial statements for 2021; consolidated financial statements of the Santander Bank Polska S.A. Group for 2021; report on the Santander Bank Polska S.A. Group performance in 2021 including report on Santander Bank Polska S.A. performance in 2021; the Management Board's motion concerning distribution of profit; the Santander Bank Polska Supervisory Board's assessment of the Santander Bank Polska S.A. Group's performance in 2021; adoption of the Supervisory Board assessment of compliance with corporate governance rules, the Supervisory Board assessment of Santander Bank Polska S.A. manner of fulfilling disclosure requirements regarding their application, justification of the expenses incurred to support culture, sport, charity institutions, media, social organizations, trade union, etc., information on the degree of implementation of the diversity policy and outcome of the Supervisory Board's evaluation of the Corporate Governance Rules for Supervised Institutions and applicable remuneration policy assessment; and suitability assessment of Supervisory Board, and for the Supervisory Board's members suitability assessment; assessment of the Supervisory Board efficiency and internal regulations' adequacy assessment related to the Supervisory Board (item 11 of the agenda).**

The need to adopt a resolution on the above said matters by the AGM results from Article art. 382 § 3 and 395 § 5 of the Commercial Companies Code, item 2.11 of the Best Practice for Warsaw Stock Exchange S.A. (Giełda Papierów Wartościowych w Warszawie S.A.) Listed Companies 2021, § 27, § 28 clause 3 and 4 of the Corporate Governance Rules for Supervised Institutions, item 8.9 of the KNF's Recommendation Z and guidelines of the European Banking Authority of

2 July 2021 on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06).

#### **VII. Granting discharge to members of the Supervisory Board of Santander Bank Polska S.A. (item 12 of the agenda)**

The adoption of resolution on granting discharge to the Supervisory Board members by the AGM results from Article 395 § 2(3) in relation to Article 393(1) of the Commercial Companies Code.

#### **VIII. Establishing the Incentive Plan VII and determination of rules governing its implementation (item 13 of the agenda)**

Incentive Plan VII is executed through the purchase of 2,331,000 own shares of the Bank (in the period from 2023 until 2033) (Purchase Programme). It is related to the change of remuneration strategy for key employees of the Bank in the years 2022-2026 and consists in the implementation of variable remuneration based on the Bank's shares. In the case of the employees whose professional activity has a significant impact on the Bank's risk profile (Material Risk Takers/MRT) within the meaning of Article 9ca(1a) of the Banking Law Act, the Bank plans to pay variable remuneration due to Participants in Incentive Plan VII in the form of the so-called phantom shares entitling to payment in the Bank's actual (physical) shares.

By introducing this change, the Bank bears in mind in particular:

- the need for ensuring that incentive schemes support adequate and effective risk management, discourage excessive risk taking above the approved risk level as well as contribute to maintenance of a sound capital base (responsible banking principle),
  - EBA statement of 31 March 2020 on measures to mitigate the impact of COVID-19 on the EU banking sector in relation to on dividends distribution, shares buyback and variable remuneration (EBA Statement), and
  - position of the Polish Financial Supervision Authority (KNF) dated 17 April 2020 on variable components of remuneration in banks and insurance companies (KNF's Position), and
- regulations requiring that the Bank pay out a portion of variable remuneration in the form of financial instruments, in particular the 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 Bank strives to motivate employees to achieve business and quality goals in line with the long-term business strategy of the organisation, retain key employees and build awareness of how day-to-day work impacts the Bank's long-term value and share price. Incentive Plan VII will contribute to a stronger connection of the interests of the Plan's participants with sustainable performance of Santander Group and align them with the interests of the shareholders.

It is the best practice in the banking sector to pay variable remuneration in shares as this makes the remuneration process transparent and has a positive impact on the company's perception by investors. The processes in consistent with the EBA Statement and the KNF's Position and reflects conservative approach to payment of variable remuneration (including discretionary awards), specifically by payment of such remuneration in shares. It also reflects a prudent approach to capital management and maintenance of a sound capital base.

In order to meet these targets, the Bank plans to introduce Incentive Plan VII addressed to selected employees of the Bank and its subsidiaries (including Management Board members, MRTs and other keymen) who after meeting specific criteria defined in the rules of Incentive Plan VII will be granted shares bought back by the Bank under the Purchase Programme.

Incentive Plan VII is planned for the years 2022-2026 with the payment in the form of the Bank's shares due to the MRTs for the last year of the Plan's life to be made in 2032 or 2033, taking into account the applicable deferral periods for variable remuneration (4 or 5 years).

The number of Participants in each year of the Plan's life cannot exceed 1,200.

Variable remuneration (including discretionary awards) to be paid out in the Bank's shares under Incentive Plan VII was estimated under a conservative approach. The total number of own shares to be purchased by the Bank during the Plan's life was calculated taking into account current remuneration of the Bank's and Bank Group's key employees, assuming remuneration growth rate at 6% each year as well as the delivery of the Bank's targets at 105%.

The final number of shares to be taken up under the Purchase Programme will be known in 2033 once own shares for payments due to Participants under Incentive Scheme VII are bought, taking into account the deferral periods and the performance against the criteria determining the actual amount of remuneration granted for individual years.

The Bank's own shares will be purchased in cycles: (i) upon meeting the targets defined for the Bank's unit and individual objectives of the Participant for the previous year which determine the variable remuneration (including discretionary awards) payable to Participants for whom payments are not subject to deferral; and (ii) not later than by the date of paying out the portion of variable remuneration to MRTs that is subject to deferral.

Under Incentive Plan VII, after 31 December 2026, the Bank plans to offer participants an additional benefit in the form of an award that will be paid in the Bank's shares provided that: (i) long-term business targets are met, and (ii) the participant continues to be employed with the Bank or an entity of the Group between 1 January 2025 and 31 December 2026.

The Plan is the expression of the Bank's strive to retain employees key to delivering the long-term strategic targets of the Bank.

The Bank's Own Shares will be purchased after obtaining by the Bank the consent of the Polish Financial Supervision Authority for purchasing the Bank's Own Shares, pursuant to Article 362 § 1(8) of the Commercial Companies Code, i.e. pursuant to the authorisation granted by the General Meeting. The resolution of the GM authorising the Management Board to purchase the Bank's Own Shares is conditional upon getting the KNF's approval for the purchase of Own Shares.

The General Meeting's decision taken in each year of the life of Incentive Plan VII will define the conditions for authorising the Management Board to purchase the Bank's shares, including: (i) maximum number of purchased shares that may be transferred to the Plan's participants; (ii) period of the Management Board's authorisation matching the schedule of

variable remuneration payments for a given year of Incentive Plan VII; (iii) maximum and minimum price to be paid for bought back shares.

Each time, all the conditions laid down in Article 362 § 2 of the CCC are to be met as well: (i) all the Bank's shares are to be fully covered, (ii) the total value of the purchased shares is not to exceed 20% of the company's share capital (maximum nominal value of the purchased shares represents ca. 2,28% of the share capital); and (iii) the total price of the purchased shares increased by their purchase costs is not to be higher than the capital reserve created for that purpose out of the amount that might be distributed pursuant to Article 348 § 1 of the CCC.

The capital reserve allocated to the purchase of the Bank's own shares will be created by the General Meeting held in the year for which the variable remuneration is to be paid out; the capital reserve amount is to be created in the amount enabling the purchase of shares to be paid out in the following year.

This solution supports better estimation of costs required for the purchase of the Bank's own shares as well as shareholder's entitlement to decide on the level of remuneration paid in this form (including discretionary awards) depending on the Bank's current situation, needs and capacity.

Additionally, it will facilitate potential application of malus clauses in the case of MRTs.

Taking into account the planned size of the Purchase Programme, it will not have an impact on maintenance of a sound capital base. The Bank's own shares will be purchased in stages, before they are transferred to the entitled Participants of Incentive Plan VII in a given year.

#### **IX. Amendments to the Remuneration Policy for Supervisory Board Members of Santander Bank Polska S.A. and the Remuneration Policy for Managements Board Members of Santander Bank Polska S.A. (item 14 of the agenda)**

The Remuneration Policy for members of the Supervisory Board of Santander Bank Polska S.A. and the Remuneration Policy for members of the Management Board of Santander Bank Polska S.A. were amended following the need to adjust them to the remuneration policy of the parent undertaking as well as new regulations resulting from the transposition of the CRD V to the Polish law as well as the KNF's Recommendation Z on internal governance in banks.

#### **X. Expressing consent to apply higher maximum ratio of variable remuneration components to fixed remuneration components for managers in Santander Bank Polska Group (item 15 of the agenda)**

Given changes in the legal environment (transposition of CRD V to the Polish law), the Bank's Management Board recommends adoption of a resolution corresponding to AGM resolution no. 45 of 17 May 2017 with regard to the maximum ratio between variable and fixed components of the remuneration received by individuals whose professional activities have a material impact on the Bank's risk profile.

The Management Board's recommendation for the General Meeting of Santander Bank Polska S.A. regarding the definition of the maximum ratio between variable and fixed components of the remuneration received by individuals whose professional activities have a material impact on Santander Bank Polska Group's risk profile is attached to item 15 of the agenda.

#### **XI. Adoption of the "Best Practice for GPW Listed Companies 2021" (item 16 of the agenda)**

The Warsaw Stock Exchange adopted new version of the best practices in 2021 and therefore it is required that General Meeting of shareholders adopts the new principles.

Bank's Management Board and Supervisory Board passed relevant resolutions on adopting Best Practice for GPW Listed Companies 2021 issued by the Warsaw Stock Exchange by force of its Supervisory Board resolution no. 13/1834/2021 of 29 March 2021.

#### **XII. Presentation of the amendments introduced by the Supervisory Board to the Supervisory Board Members of Santander Bank Polska S.A. Suitability Assessment Policy and to the Supervisory Board Members of Santander Bank Polska S.A. Appointing and Succession (item 17 of the agenda)**

On 29 September 2021, the Supervisory Board adopted resolutions concerning amendments to: the Supervisory Board Members of Santander Bank Polska S.A. suitability assessment Policy and to the Supervisory Board Members of Santander Bank Polska S.A. appointing and succession policy. The amendments were introduced due to KNFS's Recommendation Z related to the internal governance in banks and also the guidelines of the European Banking Authority of 2 July 2021 on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06).

In the Supervisory Board Members suitability assessment policy the process and criteria are described in more details. Also the new ratio of the members of underrepresented gender is set at the minimum level of 40%. Moreover, the criteria related to money laundering prevention and terrorism financing prevention were added.

The Supervisory Board Members appointing and succession policy was supplemented by description of circumstances when a Supervisory Board Member is appointed or removed and by rules of conduct in the event of unexpected absence of the Member and rules ensuring the business continuity of the Supervisory Board.

In line with § 2 of resolution no. 32 of the Annual General Meeting of Shareholders of 16 May 2019, the Supervisory Board informs shareholders about changes made to the Policy at the first GM meeting thereafter.

#### **XIII. Presentation of amendments introduced by the Supervisory Board to the Terms of Reference of the Supervisory Board of Santander Bank Polska S.A. (item 18 of the agenda)**

The Supervisory Board introduced the amendments to its Terms of reference on 27 July 2021 and on 23 February 2022 as a result of KNF's Recommendation Z concerning internal governance in banks and as a result of the new version of Best Practice for Warsaw Stock Exchange listed companies 2021.

The amendments deriving from the Recommendation Z concerned among the others the scope of the responsibilities of the Supervisory Board and the way of performing them. The amendments resulting from the Best Practice for WSE listed companies 2021 covered, among the others: possibility to ask the external assistance by the Supervisory Board whenever it decides that it is necessary, open voting and including the dissenting opinions in the minutes. Required amendments are introduced in the regulations.

According to § 28 (2) of the Bank's Statutes, Supervisory Board informs the General Meeting about the amendments introduced to the Supervisory Board terms of reference.

The current version of the Terms of Reference of the Supervisory Board Members of Santander Bank Polska is available at the Bank's website at:

[https://www.santander.pl/regulation\\_file\\_server/time20220314140553/download?id=160578&lang=en\\_US](https://www.santander.pl/regulation_file_server/time20220314140553/download?id=160578&lang=en_US)

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