

Appendix to Resolution 01/06/2020 of the Management Board of Santander TFI S.A. dated 4 June, 2020

## I. Legal basis

Pursuant to Art. 46d of the Act, the company managing a fund that invests its assets in shares of companies admitted to trading on a regulated market shall develop and publish an engagement policy that describes how the engagement of shareholders of such companies is taken into account in the fund's investment strategy.

This regulation is also intended to ensure compliance with the obligations arising from the Corporate Governance Principles for Supervised Institutions issued by the Polish Financial Supervision Authority (KNF).

## II. Definitions

1. **Policy** – this policy,
2. **Santander Group** – a group of companies controlled directly or indirectly by Banco Santander.
3. **TFI** – Santander Towarzystwo Funduszy Inwestycyjnych S.A.
4. **Fund** – an investment fund and a sub-fund managed by TFI.
5. **Portfolio** – a Fund or assets of a TFI's Client managed by TFI under the Management Agreement.
6. **Portfolio Company** – issuer of the financial instruments being the object of Portfolio investments.
7. **Client** – a Fund participant or a person who has concluded a Management Agreement with the Company.
8. **GSM** – general meeting of shareholders or another authority of the issuer of financial instruments, the possession of which gives the right to exercise voting rights at the meeting of such authority.
9. **Management Agreement** – an agreement on the management of an individual portfolio that includes one or more financial instruments.
10. **Act** – the Act on Investment Funds and Management of Alternative Investment Funds (Journal of Laws of 2020, item 95, as amended).

## III. Purpose

The purpose of the policy is to define the rules of:

1. monitoring the Portfolio Companies, in particular in terms of strategy, performance and financial and non-financial risks, capital structure, social and environmental impact and corporate governance,
2. maintaining dialogue with the Portfolio Companies,
3. exercising voting rights and other rights related to shares of Portfolio Companies,
4. cooperating with other shareholders of the Portfolio Companies,
5. communicating with other shareholders and members of the corporate bodies of the Portfolio Companies,
6. managing actual and potential conflicts of interest with regard to engagement in Portfolio Companies.

Sustainable development and responsible business aimed at long-term value creation is pursued in TFI through the social and environmental risk management standards in force in the Santander Group.

## IV. Monitoring Portfolio Companies

TFI monitors on an ongoing basis the activity of Portfolio Companies, both with respect to their business operations and to corporate and organisational events or changes in the shareholding structure. TFI assesses the corporate social responsibility of Portfolio Companies as actions taken by them to protect and secure three elements of development: environment, society and governance.

Each investment decision made by the managers is preceded by a decision-making process based on a detailed and comprehensive analysis of companies that are potential investment targets. In addition to evaluating the financial condition of companies and the prospects for growth in their value, such analysis also includes an assessment of the investment risk in terms of the environmental and social impact of the companies and the corporate governance rules applied by these companies.

The analysis is carried out on a regular basis. As a result, transactions of purchase or sale of securities issued by Portfolio Companies are concluded. As part of such analyses, TFI holds discussions with Portfolio Companies, including with regard to corporate governance rules applied by them and key issues from the perspective of the company's long-term development.

When applying for admission of an instrument to the investment process, an assessment of the investment is made in terms of its environmental and social impact and corporate governance.

## **V. Dialogue with Portfolio Companies**

The dialogue with Portfolio Companies is one of the key parts of the investment process followed by TFI. It includes communication of expectations regarding the adoption of sustainable development standards, which these companies should implement in their business operations, internal processes and decision making.

Should situations arise where, in the opinion of the TFI, it will be difficult to reach agreement on the key standards of sustainability and responsible business conduct as understood by the Santander Group, TFI will consider the following measures to influence the activities of the Portfolio Companies:

1. arranging additional meetings with the management and/or supervisory board of the Portfolio Company to discuss in detail the issues of concern to TFI,
2. issuing a formal position paper to the management and/or supervisory board of the Portfolio Company addressing the issues of concern to TFI,
3. communicating the objections during a General Meeting of Shareholder of the Portfolio Company,
4. selling the financial instruments issued by the Portfolio Company.

## **VI. Rules of exercising voting rights at the General Meeting of Shareholders, cooperation and communication with other shareholders**

1. When exercising the voting rights, TFI acts in the interest of the Clients, complying first of all with the applicable provisions of law, and then with the Code of Best Practice for Institutional Investors adopted by the Chamber of Fund and Asset Managers, and in accordance with the investment objectives and investment policy of individual Funds and the investment policy covering the assets managed under the Management Agreement.
2. TFI monitors significant changes in the Portfolio Companies in which the Funds and the Clients have voting rights by analysing current reports, information from the media and financial statements and holding meetings with representatives of the Portfolio Companies.
3. TFI acknowledges that due to the legitimate interests of Portfolio Companies and their shareholders, it has the right to exchange views and opinions with other shareholders regarding the company and the planned GSM on important matters, such as, but not limited to: changes to the Supervisory Board, the Management Board's incentive scheme, the issuance of shares, amendments to the Articles of Association, the issuer's spin-off proposals, dividend payments, share buy-backs or insolvency proceedings.
4. When making a decision concerning TFI's participation in a GSM on behalf of the Funds/Clients, TFI applies the following rules:
  - a. TFI participates in the GSM if the voting rights held by the Funds/Clients constitute at least 5% of the total number of votes in a given company.
  - b. If the voting rights vested in the Funds/Clients constitute less than 5% of the total number of votes in a given company, TFI undertakes to participate in a GSM if it is necessary to protect the rights and interests of minority shareholders.
  - c. Voting rights are exercised in accordance with the voting instruction prepared in advance, according to the procedure in force in this respect.
  - d. TFI may decide not to participate in a GSM if it considers that the costs of participation are disproportionate to the benefits that Fund participants/Clients would derive from TFI's participation in the GSM or if, in the opinion of TFI, adoption of the resolutions announced on the GSM agenda does not violate the interests of the company's shareholders.
  - e. TFI may exercise voting rights during a GSM only from the portion of shares to which the Funds/Clients are entitled.
  - f. TFI does not take any actions, including actions in cooperation with other entities, aimed at taking control over a listed issuer or a company not listed on a regulated market. In the event of such a development, TFI shall prepare appropriate notifications referred to in Articles 70zl or 70zm of the Act in the manner and scope consistent with the aforementioned Articles.
5. TFI supports all activities that enhance the independence of supervisory boards of Portfolio Companies. TFI may propose candidates to the abovementioned supervisory boards taking into account the following principles:
  - a. TFI shall notify the proposed candidates for the supervisory boards of the Portfolio Companies in which it may exercise voting rights at least 7 days prior to the day of the GSM
  - b. Candidates proposed by TFI will meet the criteria for independent members of supervisory boards set out in the Code of Best Practice for Institutional Investors.
6. When making a decision on the manner of voting on GSM resolutions concerning the introduction and amendment of incentive schemes in the Portfolio Companies, TFI takes into account the following principles, taking into consideration the specific situation of each Portfolio Company:
  - a. TFI considers it reasonable to tie the compensation of the management board members of Portfolio Companies to the performance of the companies.
  - b. TFI does not support the introduction of incentive programs, if they were to result in an excessive (unjustified) increase in the issue of shares or lack of clear direct justification based on the currently achieved performance results.
  - c. TFI considers it unjustified to introduce management option programs in which the option grant or share sale price is lower than the market value of the shares or which are characterized by a short duration.
  - d. TFI considers as unjustified introducing incentive programs covering a very small group of persons, and particularly only one person.
7. When deciding how to vote on resolutions of the General Meeting of Shareholders related to amending the Articles of Association, TFI shall act in accordance with the following principles, taking into account the specific situation of each Portfolio Company:

- a. TFI supports such amendments to the Articles of Association that will result in equality of all shares with respect for the rights of minority shareholders.
  - b. TFI is against legal actions taken by companies, the sole or primary purpose of which is to prevent taking control over the company. TFI will support all changes that facilitate the acquisition of control of the company as an element that motivates management to create shareholder value.
  - c. TFI opposes amendments to the Articles of Association of the Portfolio Company that would authorize the issuance of preferred stock with respect to voting rights.
  - d. TFI is against issuance of shares with exclusion of pre-emptive rights without a mechanism to determine a minimum issue price or issuance of a new series of shares of an unspecified number.
8. In exceptional, justified cases associated with the situation of a particular Portfolio Company, TFI may not apply one or more rules referred to in points 4 - 7 above.
  9. If the Management Agreement also provides for exercising voting rights on behalf of the Client by TFI, then the above principles shall apply by analogy to the Funds. TFI shall exercise its voting rights at the General Meeting of Shareholders independently of other entities of the Santander Group.

## **VII. Managing conflicts of interest**

1. TFI prevents conflicts of interest between the Funds/Clients and their groups by adopting organizational solutions and a business model minimizing the possibility of intentional differentiation of investment performance results in relation to any of the Funds/Clients.
2. TFI acts in the best interest of the Clients and the Funds.
3. TFI will initiate within the Santander Group the circulation of information about existing or potential conflicts of interest.
4. Where reasonably necessary, TFI will make inquiries with business partners regarding existing or potential conflicts of interest.
5. TFI will ensure that the terms of the transactions comply with the principles of transparency and fair value of mutual benefits and the principles of fair dealing with the Funds and its Clients and their groups, integrity and professionalism, in accordance with the Code of Best Practice for Institutional Investors and the relevant internal regulations applicable to TFI. Transactions may not in any case violate the economic interest of any of the parties to such transactions.

## **VIII. Final provisions**

1. This Policy replaces in its entirety the existing Policy of Corporate Governance and Exercise of Voting Rights by Santander TFI S.A.
2. TFI shall publish the contents of the Policy on its website.
3. Every year, by the end of the first quarter of the following year, TFI shall develop and publish on its website a report on the implementation of the Policy. The report shall include, in particular:
  - 1) a general description of the voting process;
  - 2) a description of the most important votes;
  - 3) a description of the use of assistance of the shareholder's voting advisor referred to in Article 4 § 1 item 16 of the Commercial Companies Code.