

# **Santander Bank Polska S.A.**

## **Terms of Reference for the Audit and Compliance Committee of the Supervisory Board**

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## **I. MISSION**

1. The Audit and Compliance Committee (“the Committee”) is appointed by the Supervisory Board (“the Supervisory Board”) of Santander Bank Polska (“the Bank”) to assist the Supervisory Board in fulfilling its oversight responsibilities to shareholders and other stakeholders in relation to:
  - 1) the quality and integrity of the accounting policies, financial statements and disclosure practices;
  - 2) compliance of the Bank’s business with laws and internal regulations;
  - 3) independence and performance of internal and external Auditors; and
  - 4) internal control system and risk management system.
2. International best practice states that the Supervisory Board members should, at least annually, conduct a review of the effectiveness of the group's system of internal control and should report to shareholders that they have done so. The review should cover all material controls, including financial and operational controls, as well as controls of compliance with laws, internal regulations and risk management systems.
3. These terms of reference govern the operations of the Committee. The Supervisory Board shall review and reassess these Terms of Reference in terms of its adequacy at least once a year at the Committee’s request or when it is required by law.

## **II. COMMITTEE’S COMPOSITON**

1. The Committee shall comprise of at least three and not more than seven independent Supervisory Board members.
2. All Committee members, including the Chairperson, are independent. The term “independence” is defined in Appendix to these Terms of Reference.
3. The Chairperson of the Supervisory Board may not be a member of the Committee.
4. At least one member of the Committee shall have relevant knowledge and skills in accountancy or examination of financial statements.
5. The Committee member is deemed to have the knowledge and skills referred to in section 4, in particular (but not exclusively), if: (i) they hold a chartered auditor’s licence, ACCA certificate (Association of Chartered Certified Accountants), CIMA certificate (Chartered Institute of Management Accountants) or other specialist rights or certificates, both domestic and international, proving their accounting or financial statements audit knowledge or (ii) they have at least two-year professional experience connected directly with financial accounting, management accounting or financial statements auditing.

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6. The Committee member's knowledge and skills in accounting or financial statements auditing may be also confirmed in particular (but not exclusively) by: (i) the member's education in the field of accounting or financial statements auditing confirmed by a university degree diploma or specialist courses and training in accounting or financial statement auditing confirmed by a certificate or other documents, and (ii) accounting or financial statements auditing skills gained during the professional career.
7. The Committee members shall have banking-related knowledge and skills (confirmed by a graduation diploma from relevant studies or courses, or the professional career). This condition is deemed fulfilled when at least one Committee member has banking-related knowledge and skills or particular members have banking knowledge and skills in their respective areas.
8. The Committee shall collectively have knowledge and skills in financial management, risk management and internal control (confirmed by a graduation diploma from relevant studies or courses, or the professional career). This condition is deemed fulfilled when at least one Committee member has such knowledge and skills or particular members have knowledge and skills in financial management, risk management and internal control in their respective areas.
9. Each member of the Committee shall have the knowledge and experience allowing them to interpret and assess financial statements correctly and independently.
10. As part of the suitability assessment, the Nominations Committee of the Supervisory Board evaluates whether the Committee members meet the requirements referred to herein.
11. The quorum for Committee meetings shall be at least a half of composition of the Committee, including its Chairperson or any other person who chairs the meeting according to point V paragraph 1 of these Terms of Reference.
12. Individuals appointed members of the Committee shall perform the function for 3-years term of office.

### **III. AUTHORITIES**

1. The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:
  - 1) request, without the Supervisory Board's involvement, the disclosure of information, explanations and provision of documents necessary to perform the Committee's tasks;
  - 2) request a key chartered auditor to discuss with the Committee, Management Board or the Supervisory Board the key issues arising from the audit referred to in the additional report for the Committee;
  - 3) meet, without limitations, with the Bank's employees, management, external auditors, or external advisor, as necessary;

- 4) resolve any disagreements between management and the units in charge of financial statements, risk management and control system assurance, such as internal and external auditors,
  - 5) unimpeded use of external experts advisory and assistance and receive appropriate resources in order to perform its function.
2. In order to deliver the Committee's tasks, including its specific tasks resulting from its Terms of Reference, its Chairperson is entitled to communicate directly with the Bank's shareholders. For this purpose the Chairperson can hold meetings with the shareholders, as well as use available means of communications (for instance telephone, electronic). The Committee may also provide the Annual General Meeting with additional reports referred to in Article 131 of the Poland's Auditors Act that are developed for the Committee.
  3. In order to ensure the most effective exercising of its duties, the Committee shall co-operate with other Supervisory Board Committees, including the Risk Committee and the Remuneration Committee.
  4. It is ensured that the Chief Audit Executive and Bank's Director in charge of the Legal and Compliance Division in order to fulfill their responsibilities can cooperate directly with the Committee in matters within the remit of this Committee as per these Terms of Reference.
  5. The Chief Audit Executive has a free access to the Committee and can participate in its meetings, also without participation of the Management Board.

#### **IV. ROLES AND RESPONSIBILITIES**

The primary responsibility of the Committee is to monitor the Bank's financial reporting (in particular its timeliness, quality and compliance with relevant laws), the efficiency of internal control and risk management systems and to monitor the independence of the chartered auditor and the audit firm.

The Committee's responsibilities are:

##### **a) Accounting and Internal Control Systems**

1. To supervise the introduction of the internal control and accounting system by the Management Board and to monitor the adequacy, the extent and the effectiveness

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of accounting systems, internal control system and the management information system.

2. To request from Management Board the confirmation, that the material processes are documented and key controls over the financial statements and management reports are adequate and effective.
3. To monitor the resume of “accounting principles” (included in the financial statements) prepared by the Management Board, i.e. principles that have a significant impact on the Bank’s financial statements, which include valuation methods, transaction settlement methods and an option of applying alternative valuation methods, indicating key estimates and ensuring the comparability of the presented data.
4. To monitor significant changes in the accounting processes that may impact their stability or the Bank’s capacity of preparing reliable financial statements on time. To obtain information on changes in accounting policies and their impact on the Bank’s future financial performance as well as on material changes to IFRS9 models.

**b) Financial Statements**

1. To monitor the integrity of the Bank’s and Bank Group’s financial statements, and formal announcements relating to the Bank’s and Bank Group’s financial performance, reviewing significant financial reporting judgements contained in them.
2. To provide recommendations aimed at ensuring reliable financial reporting process in the Bank.
3. To review, and to make recommendations to the Supervisory Board concerning the approval of annual and interim financial statements, and earnings releases, to ensure that they are reliable, comply with the law, the requirements of the Polish Financial Supervision Authority and relevant accounting standards, considering in particular:
  - 1) any changes in the published accounting principles of the Bank/Bank’s Group;
  - 2) the degree of conformity of the financial statements with the Bank’s / Bank Group’s accounting policies, adopted accounting policies (IFRS/IAS) and with the practice generally applied in the banking industry and other guidelines with regard to disclosures;
  - 3) the methods used to account for significant or unusual transactions where different approaches are possible;
  - 4) the adequacy of the provisions for debts (in particular NPL) and other significant costs;
  - 5) the possible effects of any proposed changes in regulatory, supervisory or statutory arrangements;

- 6) the degree to which the financial statements are consistent with information known to the Committee;
  - 7) the judgement by Management Board as to the valuation of assets and liabilities, significant accounting accruals, reserves, or other estimates having a material impact on the financial statements; and
  - 8) the extent to which extraordinary/ significant accounting and reporting issues, if any, arose during the period covered by the financial statements, and the manner in which such issues were resolved;
  - 9) the Management Board's confirmation that they are not aware of any events, including any significant errors resulting in material misstatements in the financial statements that have not been correctly disclosed (adjusted) in financial statements.
4. To monitor reliability of financial information by reviewing changes in the accounting policy, compliance of the principles applied with the regulations in force, financial reporting consolidation criteria in the group and to give opinions to the Supervisory Board in the case of significant changes planned in the accounting principles and interim financial statements presentation rules adopted by the Bank or the group (incl. financial reporting consolidation criteria).
  5. To monitor methods applied while recognising and valuing significant, untypical transactions, if there is more than one accounting treatment from the point of view of correct recognition of their economic substance, taking into account in particular the existence and justification of the business conducted in foreign outlets or via special purpose vehicles.
  6. To monitor the impact of significant changes in financial reporting process, including changes that may affect the Bank's capacity of fulfilling reporting obligations on time, e.g. obligations arising from the resolutions of the National Bank of Poland on the banking sector's reporting obligations towards the central bank.
  7. To monitor the impact of significant changes in financial reporting process on IT systems used by the Bank, including discussing significant changes in the accounting and financial reporting systems with the Management Board (significant changes mean changes that may affect accounting or reporting tasks, specifically their timeliness, correctness and compliance of the processes with relevant laws).
  8. To monitor the Bank's financial standing on the basis of quarterly, semi-annual and annual data, including the analysis and verification of all significant items, in particular changes in accounting principles, material estimates as well as material risk sources and the impact of such risk on the financial results disclosed in the financial statements – before their approval.
  9. To review and advise the Supervisory Board on the content of the Corporate Governance report to appear in the annual reports and accounts.

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10. To acquire information from the chairman or deputy chairman of the Disclosure Committee about significant issues discussed and decisions taken in terms of approval of the Bank's/ Bank Group's financial statements before their publication.
11. To meet as appropriate with the Bank's Director in charge of the Legal and Compliance Division to discuss legal matters that may have a significant impact on the financial statements.
12. To monitor the Bank's published current reports containing information that may affect financial statements.
13. To monitor significant changes in the Bank's financial reporting process that may impact its stability or capacity of preparing reliable financial statements on time, e.g. changes in key management job roles in the Accounting and Financial Control Division, delivery of IT projects and reorganisation projects affecting the Financial Accounting Area.
14. To verify succession plans and resource planning with the management of the Accounting and Financial Control Division and to obtain updates on the analysis of human resources in that division, in particular: (i) key employees dealing with financial reporting, including updates on any changes in key job roles and the reasons thereof and also (ii) all organisational changes that may impact the quality and method of preparing financial statements.

**c) External Auditors**

1. The primary responsibilities of the Committee are:
  - 1) To monitor the financial review, in particular the audit conducted by the audit firm, taking into account all the Audit Supervising Committee findings and conclusions arising from the control performed in the audit firm.
  - 2) To control and monitor the independent chartered auditor and the audit firm, in particular if the audit firm renders other services for the benefit of the Bank (including, to confirm with the Bank's management that there have not been identified any information indicating the lack of independence of the audit firm, key chartered auditor and participants of the audit).
  - 3) To notify the Supervisory Board of the audit results, to explain how the audit contributed to the reliability of financial reporting in the Bank and to inform about the Committee's role in the audit process.
  - 4) To assess the independence of chartered auditor and to grant consent for such an auditor to render other permitted non-audit services.
  - 5) To develop a policy on selecting the audit firm for conducting the audit.
  - 6) To develop a policy on rendering permitted non-audit services by the audit firm performing the audit, companies connected with the audit firm and a member of the audit firm network.
  - 7) To develop the procedure of selecting an audit firm by the Bank.

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- 8) To develop the Auditor Services Policy at the Bank.
  - 9) To develop and submit recommendations to the Supervisory Board on the appointment, re-appointment and removal of the External Auditor.
  - 10) To recommend to the Supervisory Board the external Auditors' remuneration, ensuring that fee levels are appropriate to enable an adequate audit to be conducted.
2. The Committee presents to the Supervisory Board a recommendation whereby it:
- 1) indicates the auditor firm selected to carry out the statutory audit;
  - 2) declares that the recommendation is free from any impact of third parties;
  - 3) states that the Bank has not entered into any agreements including clauses limiting the options to select an auditor firm to specific categories or lists of audit firms.

If the selection does not refer to the extension of the agreement on auditing financial statements, the Committee's recommendation:

- 1) presents at least two options for selecting an auditor firm along with justification and the Committee's preference,
- 2) is developed based on the selection procedure arranged by the Bank that meets the following criteria:
  - a) the Bank is free to invite any statutory auditors or audit firms to submit proposals for the provision of the statutory audit service on the condition that:
    - it does not infringe the regulations under which over the period of four consecutive years upon the lapse of maximum audit periods or extended periods neither the chartered auditor nor the audit firm or, if applicable, a member of the network within the EU shall commence statutory auditing of the same public interest entity;
    - the tender procedure does not exclude firms which generated less than 15% of their overall fees from auditing public interest entities in a given European Union member state in a previous calendar year, listed in the register of auditor firms;
  - b) the Bank prepares tender documentation for invited auditor firms in order to:
    - enable those firms getting acquainted with the Bank's business;
    - present the financial statements to be audited;
    - present transparent and impartial selection criteria applied by the Bank to assess the bids put in by auditor firms;
  - c) the Bank can freely define the selection procedure and is entitled to run negotiations directly with interested bidders during the procedure;
  - d) the Bank assesses the bids placed by audit firms in line with selection criteria specified in tender documentation and prepares a report with

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conclusions arising from the selection procedure approved by the Committee;

- e) the Bank and the Committee take into account all findings and conclusions presented in the annual report published by Audit Oversight Commission on its website which might impact the selection of an auditor firm.

3. Furthermore, the Committee's tasks are:

- 1) to oversee the selection process for new External Auditors, and, in the event of the resignation of the External Auditors, to investigate the issues leading thereto;
- 2) to review the External Auditors' terms of engagement, activities, findings, conclusions and recommendations;
- 3) to monitor the performance of and relationship with the External Auditors;
- 4) to review the scope of the statutory audit and its cost-effectiveness, including the degree of work co-ordination between the internal and external audit functions;
- 5) to develop and implement policy on the engagement of the external Auditors to supply non-audit services, taking into account applicable requirements;
- 6) to acquire from the Management Board and the audit firm the information about the non-audit services provided;
- 7) to in, within pre-determined limits arising from applicable laws, the range and nature of non-audit services provided, and related fees; specifically verify the percentage represented by the fees paid for any and all reasons of the total income of the audit firm, and the length of service of the partner who leads the audit team in the provision of such services to the bank;
- 8) to obtain from the tendering audit firms, reports on the audit firm's/firms' own internal quality procedures, and confirmation that no significant issues have arisen in the course of the external Auditors' or tendering firms' internal quality reviews, or in the course of any investigations conducted into independent audit reports carried out by the firm(s), which would be of relevance to their performance as Auditors of the Bank;
- 9) to examine the level and grades of audit staff employed by the External Auditors; the extent of continuity in staffing; compliance with relevant ethical and professional guidance on the rotation of audit partners; and the level of fees paid by the Bank/Group, relative to the overall fee income of the audit firm;
- 10) to establish clear policies regarding the recruitment by the Bank of employees or former employees of the External Auditors, ensuring that such policies meet any relevant Polish Financial Supervision Authority and Warsaw Stock Exchange requirements; and
- 11) to meet with the external Auditors, at least once a year without Management Board being present, to:

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- a) discuss the adequacy and effectiveness of the internal auditing, accounting, and financial and operational controls of the group; and
  - b) elicit any recommendations the External Auditors may have for improvement of such control procedures or particular areas where new or more detailed controls or procedures are desirable;
- 12) to serve as a channel of communication between the Supervisory Board and the External Auditors and act as a mediator in the event of disagreement between the Supervisory Board and the auditor regarding the principles and standards to be applied in preparation of the financial statements; specifically, the Committee shall endeavour to ensure that the financial statements ultimately drawn up are submitted to the shareholders at the Annual General Meeting without any qualifications or reservations in the auditor's report;
  - 13) to ensure the proper communication between the External Auditors, Internal Audit Area, Financial Accounting Area and Supervisory Board;
  - 14) to monitor and analyse the areas, indicated by External Auditors as problematic and risky (including areas particularly exposed to risk), as well as to submit to the Supervisory Board the information about the problematic areas which are not properly addressed by management;
  - 15) to provide support to the External Auditors whenever the unjustified difficulties are caused by the Bank's management during the audit engagement.

**d) Internal control system and risk management system**

1. To review annually with Management Board and with the internal and external Auditors the effectiveness of the Bank's internal financial controls, its internal control and risk management systems, and the measures taken and planned to ensure the effective management of the Bank's significant financial and non-financial risks;
2. To review and approve the following information to be included in the Annual Report and Accounts:
  - a) the high-level information on the main features of the risk management processes and system of internal control; and
  - b) opinion on adequacy and effectiveness of the internal control system.
3. To review the reports on specific internal control issues handed over by the Management Board.
4. To verify the results of assessment of financial and accounting process and key control procedures (incl. effectiveness assessment) conducted by the Bank's management and proposed management actions.
5. To propose improvements in the internal control procedures or indicate areas requiring more detailed control;

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6. To satisfy the Supervisory Board that there is a sufficient, systematic, embedded risk-based review of the internal control and risk management arrangements for the organisation.
7. To provide the Supervisory Board with opinions and recommendations on certain internal regulations referring to the internal control system.
8. To recommend such further investigations as are necessary to assure the Committee of the effectiveness of the systems of control throughout the Bank's Group.
9. To receive and review periodic reports from Management Board in respect of:
  - a) detection of frauds, significant abuses and prevention measures and their effectiveness (including the plan to prevent such issues in the future), and
  - b) fraud losses incurred.
10. To obtain from the management staff, independent auditor, Internal Audit Area and other units responsible for internal control at the Bank, and also from the Financial Accounting Area, significant information on: (i) the implemented internal control system, (ii) control environment, (iii) risk assessment, (iv) control activities and (v) monitoring of the effectiveness of the internal control system, internal audit and risk management.
11. To monitor and supervise outsourcing of processes concerning matters of significant importance for: (i) proper discharge of the Bank's obligations under applicable laws or (ii) financial standing of the Bank.
12. To meet with the Head of the Risk Management, at least once a year without Management Board being present, to review:
  - a) the objectives, plans and policy of the Risk Management function;
  - b) the quality of Risk Management personnel and the training available to them; and
  - c) reports on significant risk matters, and implementation or otherwise of recommendations.
13. To obtain from the management staff, the information on an increased exposure to particularly significant risks, information on the method of risk identification and monitoring, and to assess risk mitigating actions taken by the management staff.
14. To analyse the effectiveness of the internal control system and risk management system in terms of correct calculation of credit loss allowances.
15. To ensure that third-parties engaged in developing IFRS 9 models and estimating credit loss allowances meet all confidentiality requirements set for statutory auditors.

e) **Disclosure report**

To review and recommend to the Supervisory Board the Pillar 3 disclosures report.

**f) Internal Audit**

1. To give an opinion on the Internal Audit Charter and to ensure its annual review.
2. To consult Internal Audit – organisational structure and general methodology and assess the key regulations regarding the Internal Audit functions.
3. To approve the candidate for the position of the Bank’s Chief Audit Executive, proposed by President of the Bank’s Management Board, and the candidate for the position of Director of Internal Audit in Santander Brokerage Poland, proposed by the Director of Santander Brokerage Poland, as well as their job descriptions, period of tenure and remuneration conditions, including all changes to their contracts’ terms and conditions.
4. To approve the removal of the Bank’s Chief Audit Executive upon the request filed by President of Bank’s Management Board and removal of Director of Internal Audit in Santander Brokerage Poland, upon the request filed by Director of Santander Brokerage Poland.
5. To approve annual objectives of the Chief Audit Executive and evaluation of their performance.
6. To issue opinion on the remuneration principles of the Internal Audit employees.
7. To ensure the protection of Internal Audit employees, including the Chief Audit Executive, from unjustified removal by opining each motion on auditor removal submitted by the Chief Audit Executive.
8. To monitor and review the scope, nature and effectiveness of the work of the Internal Audit function.
9. To ensure the independence of the Santander Bank Polska Internal Audit function.
10. To receive, systematically at each meeting, a summary of conclusions from internal audits as well as information on the actions taken to implement recommendations issued, to verify timeliness and manner of recommendations implementation, to receive a report on the progress against the proposed audit plan with an explanation of possible deviations from that Plan. To provide support to the Internal Audit whenever irregularities are identified and the audited units fail to deliver necessary explanation.
11. To receive updates on the implementation of changes arising from recommendations of the External Auditor, Supervisory Board or the Committee.
12. To verify whether senior management takes into account the conclusions and recommendations of Internal Audit’s reports.
13. To meet with the Bank’s Chief Audit Executive, at least once a year without Management being present, to review:
  - a) the objectives, policy, plans and effectiveness of the Internal Audit function;
  - b) the quality of Internal Audit’s personnel and the training available to them;
  - c) the proposed and actual audit coverage; and

- d) reports on significant matters and their implementation by the Management Board in relation to Internal Audit's recommendations.
14. To approve a Strategic (long term) and operational (annual) Audit Plan and amendments thereto, without prejudice to the Supervisory Board's powers in this respect.
  15. To analyse the Internal Audit's work quality and the proposals for the internal audit processes improvements.
  16. To analyse the quality of the Internal Audit's engagements and proposed improvements to the internal audit process, also in terms of compliance with generally applicable laws and internal audit standards (including the analysis of significant deviations from the adopted audit plan).
  17. To approve a budget for the Internal Audit, including the human and material resources for carrying out the function and ensure that adequate resources are available to the Internal Audit function and that there are no restrictions hindering its operations.
  18. To perform the annual control of the salaries in the Internal Audit. The control will be based on the report including salaries of staff performing specific roles in the Internal Audit unit as compared to the internal remuneration policy of Santander Bank Polska as well as on the comparison of the average salary in the Internal Audit to the average salary in the BSC units and the Bank overall. The report will be prepared by the Remuneration Department by the end of Q1 of a given year and will include data for the previous year.
  19. To approve co-sourcing agreement for specific activities or tasks requested by the Internal Audit.
  20. To commission a five-yearly independent external review of the Bank's Group Internal Audit function, and oversee the implementation of approved recommendations arising.
  21. To review succession planning and resourcing in liaison with the management of of the Bank's Group Internal Audit.

**g) Legal and Regulatory Compliance and General Code of Conduct**

1. To review arrangements established by Management Board for compliance with laws and internal regulations, and financial requirements contained, among others, in the Bank's Statutes, the regulations of the Warsaw Stock Exchange and also of the National Bank of Poland, and the requirements of the supervisory authorities (regulators); and to receive from the Management Board information on the compliance level.
2. To review and evaluate key findings of regulatory examination reports, the Management Board's related responses and any periodic reports required by

- examination findings; specifically issues related to the sale of product and services and the prevention of money laundering.
3. To review quarterly rolling reports on key compliance issues and regulatory developments impacting the whole Bank's Group, and consider the Management Board's response to such issues.
  4. To meet with the Management Board President or Bank's Director performing the role of Chief Compliance Officer, at least once a year without Management Board being present, to review:
    - a) the objectives, plans and policy of the compliance and ethics function;
    - b) the quality of Compliance Area personnel and the training available to them; and
    - c) reports on significant compliance matters, and implementation or otherwise of recommendations.
  5. To review annually a report from the Management Board President or Bank's Director performing the role of Chief Compliance Officer on the operation of the General Code of Conduct.
  6. To approve the Compliance Working Program, including a Monitoring Plan, for the next year, and the significant changes to the Program during the year, if required.
  7. To approve the candidate for the Bank's Director in charge of the Legal and Compliance Division (Chief Compliance Officer).
  8. To give consent to remove the Bank Director in charge of the Legal and Compliance Division at the request of the Bank's Management Board President.
  9. To approve the annual objectives of the Bank's Director in charge of the Legal and Compliance Division (Chief Compliance Officer) and the evaluation of their performance.
  10. To give opinion to the remuneration rules for the employees of the Compliance Area.
  11. To ensure protection of employees from the Compliance Area from unjustified removal by giving opinion to each motion submitted by the Director of Compliance Area, covering the grounds for given employee's removal.
  12. To ensure the independence of the Compliance Area in the Bank, in particular by giving the Committee Chairperson the option to object to the motion to appoint or remove the Compliance Area Director.
  13. To ensure adequate resources are available to the Compliance Area and there are no restrictions hindering its operations.
  14. To review annually the report on the legal proceedings of the Bank's Group, including the total number and value with detailed description of cases with disputable amount in excess of PLN 500k, as well as current trends.
  15. To review succession planning and resourcing in liaison with the management of the Legal and Compliance Division.

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16. To monitor the development and implementation of the sustainable development policy and implementation of the General Code of Conduct.

#### **h) “Respect and Dignity” Policy**

1. To review the arrangements established by the Management Board through which employees may raise concerns, also anonymously in confidence, concerning possible improprieties in matters of financial reporting or other matters, ensuring that such arrangements allow proportionate and independent investigation of any such concerns and appropriate follow-up action.
2. To give the Supervisory Board recommendations on adequacy and effectiveness of the procedure of anonymous reporting of breaches of the policy by the employees (at least once a year).

#### **i) Evaluation of Committee’s Effectiveness**

To conduct an evaluation, annually, of the Committee’s effectiveness and, arising there from, to make recommendations to the Supervisory Board on changes, if any, in the Committee’s role that may be considered necessary or desirable in the interest of enhancing its effectiveness.

### **V. COMMITTEE’S OPERATIONS**

#### **1. Chairperson**

The Committee shall be chaired by a member of the Committee appointed by the Supervisory Board for each term of office.

In the absence of the Committee Chairperson at any meeting, one of the members present shall be nominated in advance by the Committee Chairperson to chair the meeting; failing such nomination, the Chairperson shall be elected by a vote among the members present.

#### **2. Induction and Training**

On appointment, Committee members will be provided with, inter alia, a copy of the Committee’s Terms of Reference, its annual Work Programme and Schedule of Meetings, as well as with main internal regulations of the Bank relevant to the Committee. Additionally, whenever the newly appointed member of the Committee

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finds its relevant and reports such a need, the induction will include meetings with selected representatives of the Bank's management staff, including the Bank's Management Board members or other persons referred to in item 4 below.

On an on-going basis, the Committee will be briefed, as required, on significant financial reporting, regulatory and/or legal developments.

The Committee members broaden their accounting and financial reporting knowledge and skills, e.g. by participating in training courses.

### **3. Frequency of Meetings and Papers**

The Committee shall hold at least four regular meetings each year at appropriate times in the reporting and audit cycle and additional meetings as the Chairperson or the Committee deem necessary. Meetings are convened by the Committee Chairperson.

The meeting agenda and documents to be discussed shall be submitted to the Committee members in advance.

### **4. Attendance**

In addition to the appointed Committee members, and the Secretary, the meetings will normally be attended, at the invitation of the Chairperson of the Committee, by:

- a) the Management Board member in charge of the Accounting and Financial Control Division or representative(s) nominated by that member;
- b) the Management Board member in charge of the Financial Management Division,
- c) the Chief Risk Officer;
- d) the Bank's Director in charge of the Legal and Compliance Division;
- e) the External Auditor;
- f) the Santander Bank Polska Chief Audit Executive; and
- g) such other personnel whose attendance for all or part of the meeting would be appropriate as determined by the Chairperson of the Committee.

The Committee can exchange information and data with an audit firm and key chartered auditor also by participating in common meetings to analyse the results of the Polish Financial Supervision Authority's (KNF) inspections, audit results, assessment of the Bank's standing or other significant issues for its business.

### **5. Minutes and support of the Committee's operations**

Minutes of each meeting shall be circulated, when approved by the Committee members, to the Supervisory Board members, for acknowledging or discussing at a subsequent meeting. The minutes shall be approved at the beginning of the next Committee meeting and signed off by the Committee Chairperson and the Secretary.

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Additionally, the Supervisory Board receives annual written reports on the Committee's activities, which include in particular information on the issues analysed by the Committee in that year (including the assessment of the risk of processes and areas subject to the Committee's oversight, actions taken and effects thereof). The report may be provided to the chartered auditor.

The Corporate Governance Office provides operational services and supports the Committee's works.

## **6. Mediation**

In the event that agreement cannot be reached on a matter requiring the approval of the Committee, such matter shall be minuted and referred to the Supervisory Board for determination.

## **7. Annual General Meeting**

The Chairperson of the Audit and Compliance Committee or a deputy appointed by them shall attend the Annual General Meeting and respond to shareholders' questions concerning the Committee's activities.

### **Appendix:**

1. Definition of independence of the Committee member.

*Appendix 1 to Audit and Compliance  
Committee Terms of Reference*

According to the Legal Act on statutory auditors, audit firms and public oversight members of the audit committee are considered to be independent of a public-interest entity if they meet the following criteria:

- 1) they have not been an executive member of the public-interest entity or any related entity and have not sat on the management board or any other governing body of that entity over the past 5 years after appointment;
- 2) they have not had any employment relationship with the public-interest entity or any related entity over the past 3 years after their appointment, except for situations in which the audit committee member is not a member of the executive team appointed to sit on the supervisory board or any other governing or control body of the public-interest entity as a representative of the entity's employees;
- 3) they have not exercised any control as defined by art. 3(1)(37)(a-e) of the Polish Accounting Act of 29 September 1994 or have not represented any persons or entities controlling the public-interest entity;
- 4) they have not received any high-value additional remuneration from the public-interest entity or any related entity, except for the remuneration received as a supervisory board member or member of any other supervisory or control body, including the audit committee;
- 5) they have not had any major business relationship with the public-interest entity or any related entity either directly or through ownership, partnership, shareholding, as a supervisory board member or member of any other supervisory or control body of that entity or with any executive member of such entity, including a management board member or member of any other governing body over the past year after their appointment;
- 6) over the past two years after the appointment, they have not been:
  - a. an owner, partner (including a general partner) or shareholder of the present or former audit firm responsible for carrying out the statutory audit of the accounts of the public-interest entity or any related entity, or
  - b. a member of the supervisory board or any other supervisory or control body of the present or former audit firm responsible for carrying out the statutory audit of the accounts of the public-interest entity or any related entity, or
  - c. an employee or executive employee such as a management board member or member of any other governing body of the present or former audit firm responsible for carrying out the statutory audit of the accounts of the public-interest entity or any related entity, or
  - d. any other natural person whose services were used or supervised by the present or former audit firm or statutory auditor acting on their behalf;
- 7) have not been member of the management board or any other governing body of the entity in the case of which a supervisory board member or member of any

<b>Terms of Reference for the Audit and Compliance Committee of the Supervisory Board</b>
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- other supervisory or control entity is a management board member or member of any other governing body of the public-interest entity;
- 8) have not been member of the supervisory board or any other supervisory or control entity of the public-interest entity for more than 12 years;
  - 9) are not a spouse, partner, relative or kin in lineal or collateral affinity up to the fourth degree of a management board member or any other governing body of the public-interest entity or a person referred to in sections 1-8;
  - 10) have no relationship by adoption, guardianship or custody with a management board member or any other governing body of the public-interest entity or a person referred to in sections 1-8.

The additional remuneration referred to in (4):

- 1) includes participation in share allocations or any other performance-based schemes;
- 2) does not include fixed amounts received under pension schemes, including deferred payments, by virtue of former employment relationship with the public-interest entity if they do not have to continue being the employee of such entity for such remuneration to be paid.