

# **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 should 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 is comprised of at least three and not more than seven independent Supervisory Board members.
2. Majority of Committee members, including the Chair, are independent. The term “independence” is defined in Appendix to these Terms of Reference.
3. The Chair of the Supervisory Board may not be a member of the Committee.
4. At least one member of the Committee should 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 item 4, in particular (but not exclusively), if: (i) they hold a statutory 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.

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 should 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 should 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 should 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. Quorum: The quorum for Committee meetings is at least a half of composition of the Committee, including its Chair 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 should perform the function for 3-years term of office.

### **III. AUTHORITIES**

1. The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

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- 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 statutory 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 Board members, external auditors, or external advisor, as necessary.
  - 4) Resolve any disagreements between the Management Board 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 Chair is entitled to communicate directly with the Bank's shareholders. For this purpose the Chair 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 Act on statutory auditors, audit firms auditors and public oversight that are developed for the Committee.
  3. In order to ensure the most effective exercising of its duties, the Committee should co-operate with other Supervisory Board Committees, including the Risk Committee and the Remuneration Committee.
  4. In order to fulfil their responsibilities, the head of the compliance unit and Chief Audit Executive (head of the Internal Audit Area) 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 statutory 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 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 and 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.
5. To obtain information on changes in accounting policies (including the planned amendments concerning the recognition of insurance income and cost) and their impact on the Bank's future financial performance as well as to obtain information on material changes to IFRS9 models and changes concerning bancassurance.

**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 valuating 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,

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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.
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 Head of the Legal Area 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 Financial Accounting and 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 Financial Accounting and 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) Non-financial data reporting and ESG ratings**

As part of its responsibilities the Committee:

- 1) monitoring the sustainability reporting process or group sustainability reporting process and the Bank's process for identifying information presented in accordance with sustainability reporting standards, in keeping with the Act of 11 May 2017 on statutory auditors, audit firms and public oversight, as well as
- 2) reviewing ESG ratings for the Bank and the Bank's Group.

**d) External auditors**

**The external auditor is understood as the audit firm providing statutory audit services and sustainability reporting assurance services.**



1. The primary responsibilities of the Committee are:
  - 1) To monitor the financial review and sustainability reporting assurance, in particular audits conducted by the audit firm, taking into account all the Polish Agency for Audit Oversight findings and conclusions arising from the control performed in the audit firm.
  - 2) To control and monitor the independent statutory auditor and the audit firm, in particular if the audit firm renders services other than statutory audit and sustainability reporting assurance services for the Bank (including, assurance for with the Bank's management that no information indicating the lack of independence of the audit firm, key statutory auditor or participants of the audit has been identified).
  - 3) To notify the Supervisory Board of the results of the audit or sustainability reporting assurance, to explain how the audit contributed to the reliability of the Bank's financial reporting and sustainability reporting or to the Bank's Group sustainability reporting and to inform about the Committee's role in the audit process.
  - 4) To assess the independence of statutory auditor and to grant consent for such an auditor to render other permitted non-audit services.
  - 5) To develop a policy on selection of an audit firm for auditing financial statements and providing sustainability reporting assurance services.
  - 6) To develop a policy on rendering permitted non-audit or sustainability reporting assurance services by the audit firm performing the audit or providing sustainability reporting assurance services, by companies connected with that audit firm and a member of the firm belonging to the same network.
  - 7) To develop the procedure of selecting an audit firm for auditing financial statements and the procedure of selecting an audit firm providing sustainability reporting assurance services by the Bank.
  - 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 audit firm to provide statutory audit services and sustainability reporting assurance services.
  - 10) To recommend to the Supervisory Board the remuneration for the audit firm providing statutory audit services and sustainability reporting assurance services, ensuring that fee levels are appropriate to enable an adequate audit to be conducted.
2. The Committee presents to the Supervisory Board a recommendation which includes:

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- 1) at least two possible choices for the statutory audit engagement and the Committee's duly justified preference for one of them – applies to the selection of the audit firm to audit the financial statements for the first time;
  - 2) indication of the audit firm – applies to the selection and re-selection of the entity authorised to provide assurance on sustainability reporting or to be reappointed to carry out statutory audit;
  - 3) statement that the recommendation is free from any influence of third parties;
  - 4) statement that neither the Bank nor any other entity of the Group concluded any agreements containing clauses referred to in Article 66(5a) and Article 66(5c) of the Accounting Act of 29 September 1994, i.e. the ones that would limit the capacity to appoint an audit firm to carry out statutory audit or provide assurance on sustainability reporting to specified categories or lists of audit firms;
  - 5) additional elements listed in the Audit Firm Selection Procedure which represents the appendix to the Policy on selection of an audit firm for auditing financial statements and providing assurance on sustainability reporting in Santander Bank Polska S.A.
3. The Committee's recommendation is developed based on the selection procedure arranged by the Bank that meets the following criteria:
- 1) The Bank may invite any audit firms to submit proposals for the provision of the statutory audit services and assurance on sustainability reporting on the condition that:
    - it is not in conflict with Article 17(3) of the 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 repealing Commission Decision 2005/909/EC;
    - organisation of the tender process does not in any way preclude the participation in the selection procedure of firms which received less than 15% of the total audit fees from public-interest entities in the Member State concerned in the previous calendar year, placed on the list of audit firms referred to in Article 91 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight.
  - 2) The Bank prepares tender documentation for invited audit firms which:
    - enables those firms getting acquainted with the Bank's business;
    - includes a detailed description of the type and scope of audit or assurance services to be provided;
    - presents transparent and impartial selection criteria applied by the Bank to assess the bids put in by audit firms.

- 3) Entering a tender, an audit firm submits a statement on independence within the meaning of Article 69–73 of the Act of 11 May 2017 on statutory auditors, audit firms and public together with its bid.
  - 4) The Bank can freely define the selection procedure and is entitled to run negotiations directly with interested bidders during the procedure.
  - 5) The Bank assesses the bids placed by audit firms in line with selection criteria specified in tender documentation and prepares a report with conclusions arising from the selection procedure approved by the Committee.
  - 6) The Bank and the Committee take into consideration any findings or conclusions of any annual report published by Polish Agency for Audit Oversight on its website which could have an impact on the selection of an audit firm.
4. Furthermore, the Committee's tasks are:
- 1) to oversee the selection process for the external auditor, and, in the event of the resignation of the external auditor, to investigate the issues leading thereto;
  - 2) to review the external auditor's terms of engagement, activities, findings, conclusions and recommendations;
  - 3) to monitor the performance of and relationship with the external auditor;
  - 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 the policy on the engagement of the external auditor to provide the above 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 approve, within pre-determined limits arising from applicable laws, the range and nature of non-audit services provided, and related fees; specifically to 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 their 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 another audit or consulting firm which would be of relevance to their performance as auditors of the Bank;
  - 9) to examine the positions and grades of audit staff employed by the external auditor; 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 auditor, ensuring that such policies meet any relevant Polish Financial Supervision Authority and Warsaw Stock Exchange requirements; and
- 11) to meet with the external auditor, at least once a year, without Management Board being present to:
  - 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 auditor 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 auditor and act as a mediator in the event of disagreement between the Supervisory Board and the external auditor regarding the principles and standards to be applied in preparation of the financial statements; specifically, the Committee should 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 proper communication between the external auditor, Internal Audit Area, Financial Accounting Area and Supervisory Board;
- 14) to monitor and analyse the areas, indicated by external auditor 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 the Management Board;
- 15) to provide support to the external auditor whenever the unjustified difficulties would be caused by the Bank's Management Board during the audit engagement.

**e) 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, internal control and risk management systems, and measures taken and planned to ensure an effective management of the Bank's significant financial and non-financial risks, including sustainability reporting.
2. To review and approve the following information to be included in the Annual Report and Financial Statements:
  - a) the high-level information on the main features of the risk management processes and system of internal control; and

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- 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.
  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, 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 Division, at least once a year, without Management Board being present to review:
    - a) the objectives, plans and policy of the Risk Management Division;
    - b) the quality of Risk Management Division personnel and the training available to them; and
    - c) reports on significant risks, and implementation or otherwise of recommendations.
  13. To obtain from the management, 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.

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14. To analyse the effectiveness of the internal control system and risk management system in terms of correct calculation of expected credit loss allowances and correct settlement of insurance distribution income and cost.
15. To ensure that third-parties engaged in developing IFRS 9 models and estimating credit loss allowances or in verifying the settlement methods applied to insurance distribution income and cost (such verification carried out as part of the audit of financial statements) meet all confidentiality requirements set for statutory auditors.

**f) Disclosure report**

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

**g) Internal Audit**

1. To give an opinion on the Internal Audit Charter and to ensure its annual review, along with recommendations for the Supervisory Board to approve the Charter.
2. To consult on the Internal Audit's organisational structure and general methodology and assess 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 Head of the Internal Audit in Santander Brokerage Poland, proposed by Head 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 Head of the Internal Audit in Santander Brokerage Poland, upon the request filed by Head 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 Bank's Internal Audit function.
10. To receive, at each meeting, a summary of conclusions from internal audits as well as information on actions taken to implement recommendations, to verify

timeliness and manner of implementing recommendations, to receive a report on 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 from 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 Internal Audit engagements and proposed improvements to the internal audit process, also in terms of compliance with generally applicable laws and internal audit standards (including 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 annual control of salaries of Internal Audit employees. 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 the first quarter 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 from the review.

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21. To review succession planning and resourcing in liaison with the management of the of the Bank's Group Internal Audit.

#### **h) Legal and Regulatory Compliance and General Code of Conduct**

1. To review actions taken by the Management Board for ensuring 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 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 control findings; specifically issues related to the sale of products 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 head of the compliance unit, 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 skills of the compliance unit's personnel and the training available to them;
  - c) reports on significant compliance matters, and implementation or otherwise of recommendations.
5. To review annually a report from the Management Board President or head of the compliance unit on the operation of the General Code of Conduct.
6. To approve the Compliance Working Programme, including a Monitoring Plan, for the next year, and the significant changes to the Programme during the year, if required.
7. To approve the candidate to head of the compliance unit.
8. To give consent to remove the head of compliance unit at the request of the Bank's Management Board President.
9. To approve annual objectives of the head of the compliance unit and evaluation of their performance.
10. To give opinion on the remuneration rules for the employees of the compliance unit.
11. To ensure protection of employees from the compliance unit from unjustified removal by issuing opinion on each motion submitted by the head of compliance unit, covering the grounds for a given employee's removal.
12. To ensure independence of the compliance unit in the Bank, in particular by giving the Committee Chair the option to object to the motion to appoint or remove head of the compliance unit.



13. To ensure adequate resources are available to the compliance unit 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 compliance unit on the annual basis.
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 irregularities 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. Chair**

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

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

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## **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 a newly appointed member of the Committee finds its relevant and reports such a need, the induction will include meetings with selected representatives of the Bank's management, 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 should hold at least four regular meetings each year at appropriate times in the reporting and audit cycle and additional meetings as the Chair or the Committee deem necessary. Meetings are convened by the Committee Chair.

The meeting agenda and documents to be discussed should 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 Chair of the Committee, by:

- a) the Management Board member in charge of the Financial Accounting and 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) head of the compliance unit;
- e) the external auditor;
- f) the Chief Audit Executive; and
- g) such other personnel whose attendance for all or part of the meeting would be appropriate as determined by the Chair of the Committee.

The Committee can exchange information and data with an audit firm and key statutory 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 should be circulated, when approved by the Committee members, to the Supervisory Board members, for acknowledging or discussing at a subsequent next meeting. The minutes are approved at the beginning of the next Committee meeting and signed off by the Committee Chair and the Secretary.

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 statutory auditor.

The Corporate Governance Department provides operational services and supports the Committee's work.

## **6. Mediation**

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

## **7. Annual General Meeting**

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

## **Appendix:**

1. Definition of independence of the Committee member.

In accordance with the Act on statutory auditors, audit firms and public oversight, members of the audit committee are considered to be independent if they meet the following criteria:

- 1) They have not been an executive member of the public-interest entity or its associated company nor have they sat on the management board or any other governing body of that entity or its associated company over the past 5 years after appointment.
- 2) They have not had any employment relationship with the public-interest entity or any associated company 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 Article 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 significant additional remuneration from the public-interest entity or any associated company, 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 significant business relationship with the public-interest entity or any associated company 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 year since 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 have been used or supervised by the present or former audit firm or statutory auditor acting on their behalf.
- 7) A 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 other supervisory or control entity is a management board member or member of any other governing body of the public-interest entity.
  - 8) A member of the supervisory board or any other supervisory or control entity of the public-interest entity for more than 12 years.
  - 9) 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 items 1-8.
  - 10) They 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 items 1-8.

The additional remuneration referred to in item 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 their payment is not conditioned by continued employment in such a public interest entity.