

## **SANTANDER UK GROUP HOLDINGS PLC**

### **BOARD REMUNERATION COMMITTEE**

#### **TERMS OF REFERENCE**

#### **1. SCOPE**

The Santander UK Group Holdings plc (the "Company") Remuneration Committee (the "Committee") is a committee of the Board of the Directors (the "Board"), the scope of which is to maintain oversight of, consider and approve policies and frameworks covering remuneration for employees (as determined by the Committee from time to time) of:

- i) the Company;
- ii) Santander UK plc;
- iii) the businesses and subsidiaries of the Santander UK Group Holdings plc group as a whole (the "Santander UK Group"); and
- iv) those employees of the Company's parent, Banco Santander, S.A. ("Banco Santander") who are seconded to the Company and have a material impact on the Company's risk profile.

The Committee is responsible with the business of the entire UK Group and its authority extends to all matters relating to its responsibilities below for the Company, Santander UK plc, their major subsidiaries and the UK group as a whole, as appropriate (together the "UK Group").

#### **1.1 AUTHORITY**

The Committee is a Committee of the Santander UK Group Holdings plc Board constituted in accordance with the Company's Articles of Association.

#### **1.2 RESPONSIBILITIES**

##### **Primary Purpose**

- 1.2.1 The Committee's over-arching primary purpose is to maintain oversight of, consider and approve policies and frameworks covering remuneration for employees for the benefit of its long-term business strategy and interests, its business objectives, its risk appetite and its values.

In discharging its overarching primary purpose, the Committee will:

- (i) uphold the interests of Banco Santander and those of the wider Banco Santander group of companies more generally whilst at the same time recognising the interests of other relevant stakeholders of the Company;
- (ii) adhere to the areas of responsibility prescribed to it by Banco Santander whilst acting in accordance with those authorities delegated to it by Banco

Santander; and

- (iii) act in accordance with all relevant and applicable legislative and regulatory rules and guidance including those issued by the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”) generally and the PRA Rulebook and the FCA Dual-regulated firms Remuneration Code (SYSC 19D and SYSC 19F) as amended (together “the Remuneration Code”) specifically as well as any legal or regulatory requirements placed on Banco Santander that have direct effect to the Company.

1.2.2 The Committee’s principal responsibilities are as follows:

**Remuneration Policy**

- 1.2.3 The Committee will oversee the implementation of remuneration policies across the Santander UK Group, and receive assurance that such remuneration arrangements are consistent with and promote sound and effective risk management.
- 1.2.4 The Committee will determine the Santander UK Group’s remuneration governance framework and oversee its application across the organisation and the underpinning performance management approach.
- 1.2.5 The Committee will consider and approve the policy and principles to be applied in relation to any performance-related pay schemes operated by the Company for employees described in paragraphs 1.2.13 and 1.2.14 below.
- 1.2.6 The Committee will receive assurances that management and employees understand and comply with their respective obligations in relation to the Santander UK Group’s policies and frameworks covering remuneration, including the Regulated Remuneration Governance Framework and the Remuneration Policy, and that relevant issues are identified and escalated in a timely manner.
- 1.2.7 The Committee will liaise as required with the Board Audit Committee, Board Risk Committee, Responsible Banking Committee and the Company’s Risk Division in order to ensure that remuneration policies and practices reflect Santander’s risk appetite and profile and take into account current and future potential risks.
- 1.2.8 The Committee will receive assurance from the Company’s Risk and HR Divisions as to the identification framework and determination of Material Risk Takers of the Santander UK Group in accordance with the Remuneration Code and oversee and approve the identification process for determining the Material Risk Taker list. The Committee’s decisions will be final as to who should be designated as a Material Risk Taker and who may be excluded from such designation within the allowable parameters of the Remuneration Code.
- 1.2.9 The Committee will review annually the remuneration trends across the UK market and the Santander UK Group including the relationship between executive remuneration and the remuneration of other Santander UK Group

employees.

1.2.10 The Committee will agree the policy for authorising directors' expenses claims.

### **Remuneration Adjustment**

1.2.11 The Committee will seek input and receive reports from the Board Risk Committee, the Incident Accountability Committee and the Company's Risk Division to satisfy itself that:

- i) variable remuneration schemes in which employees described in paragraphs 1.2.13 and 1.2.14 below participate are appropriately adjusted for current and future risks; and
- ii) there is appropriate performance adjustment to any unvested awards, deferred awards or paid awards to individuals through the application of malus and/or clawback provisions.

1.2.12 The Committee will regularly review the adequacy of the Company's risk adjustment practices and, when necessary, it will require management to report on the results of their tests into how remuneration policies react to external and internal events.

### **Specific Remuneration Arrangements**

1.2.13 The Committee will, where appropriate, in consultation with the Board Chairman and, where appropriate, the Chief Executive Officer of the Company, consider and approve the specific remuneration packages for each of the executive directors, including base salary, variable remuneration, pension and other benefits whilst recognising the right of Banco Santander to propose to the Committee for its approval remuneration arrangements for those executive directors within the ambit of Banco Santander group remuneration policies and practices.

1.2.14 The Committee will, where appropriate, in consultation with the Chief Executive Officer, approve and oversee the implementation of the remuneration policy for the following:

- (i) employees of the Santander UK Group at Reward Band S6 or above;
- (ii) Material Risk Takers of the Santander UK Group; and
- (iii) any other employees specified by the Committee from time to time.

1.2.15 The Committee will receive assurances that remuneration for senior employees in risk and compliance functions is determined independently from other business areas.

1.2.16 The Committee will oversee and approve new hire remuneration packages for the employees described in paragraphs 1.2.13 and 1.2.14 above including the buy-outs of forfeited rights in accordance with limits specified by the Committee from time to time and with due regard to all relevant and applicable regulation and guidance.

- 1.2.17 The Committee will oversee and approve packages on termination for employees described in paragraphs 1.2.13 and 1.2.14 above in accordance with the Regulated Remuneration Governance Framework (“RRGF”), which details the limits specified by the Committee from time to time. The aim of which is to ensure fairness, avoiding reward for failure and recognising the duty to mitigate loss.
- 1.2.18 In considering the remuneration arrangements for the employees described in paragraphs 1.2.13 and 1.2.14, the Committee will have regard to the pay and employment conditions across the Santander UK Group.
- 1.2.19 The Committee will review and approve the Chairman of the Board’s fee. Remuneration for other Non-Executive Directors will be set by the Board.

### **Monitoring & Assurance**

- 1.2.20 The Committee will assess whether the Santander UK Group is operating within relevant global policies and frameworks for remuneration as well as the Santander UK Group’s own policies and frameworks. The Committee will also assess whether the Company complies with remuneration-related UK legislation and regulation as appropriate including the Remuneration Code. In doing so, the Committee will carry out an annual review of the general principles of the Company’s remuneration policies and their implementation through the lens of the RRGF.
- 1.2.21 The Committee will annually review the Company’s remuneration policies and arrangements to satisfy itself that they are aligned with and promote the long-term success of the Company, they are consistent with and promote effective risk management, and appropriate behavioural performance and that performance targets are transparent, stretching and rigorously applied.
- 1.2.22 At least annually, the Committee will ensure that the remuneration policy is subject to independent review to assure that it (a) complies with all relevant remuneration-related regulations, and that (b) the procedures and activity of the Committee complies with the remuneration policy. The Committee will review any material issues arising from the review.

### **Pensions**

- 1.2.23 The Committee will review the Santander UK Group’s pension strategy in light of legislative and market changes and will oversee and approve any material changes.

### **Share Schemes**

- 1.2.24 The Committee will keep under review the Santander UK Group’s all-employee share schemes in light of legislative and market developments and the overall remuneration policy of the Santander UK Group.

## **Long Term Incentives**

- 1.2.25 The Committee will consider and oversee any new long term incentive arrangements proposed to be operated in the UK for the benefit of employees of the Santander UK Group.

## **2. MEMBERSHIP AND ATTENDANCE**

### **2.1 MEMBERSHIP**

- 2.1.1 Members of the Committee shall be appointed by the Board on the recommendation of the Board Nomination Committee, in consultation with the Chairman of the Committee. The Committee shall be made up of at least three members, all of whom shall be Independent Non-Executive Directors.
- 2.1.2 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional three-year periods, provided that the Director to whom the extension is applicable still meets the criteria for membership of the Committee. Committee membership shall be reviewed on a regular basis and any extension of the term shall not be given without consultation with the Board Nomination Committee.
- 2.1.3 The Board shall appoint the Committee Chairman who shall be an Independent Non- Executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.1.4 The Chairman of the Committee is authorised to make decisions on the Committee's behalf on matters which may need attention between Committee meetings provided that such decisions are notified to the Committee members and ratified at the next scheduled Committee meeting.

### **2.2 QUORUM**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **2.3 ATTENDEES**

Only members of the Committee have the right to attend Committee meetings. The Board Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Legal & Regulatory Officer, the Company Secretary, the HR Director and the Reward Director and any invitee of the Chairman of the Committee may attend for all or part of any meeting as presenter or observer at the discretion of the Chairman of the Committee although they shall not be present for any discussion relating to their own remuneration arrangements.

### **3. COMMITTEE MANAGEMENT**

#### **3.1 SECRETARY**

The Secretary of the Committee shall be a member of the Secretariat as agreed with the Committee Chairman.

#### **3.2 MEETINGS**

3.2.1 The Committee shall meet at least four times a year at appropriate times as determined by the Committee Chairman and otherwise as required.

3.2.2 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman or any of its members.

3.2.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and, as appropriate, any other person required to attend no later than five calendar days before the date of the meeting. Supporting papers shall be sent to the Committee members and to other attendees, as appropriate, at the same time.

#### **3.3 MINUTES & REPORTING**

3.3.1 The Secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

3.3.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee, once agreed by the Chairman, and to all members of the Board, unless it would be inappropriate to do so.

3.3.3 The Committee will:

- i) through the Chairman of the Committee, report to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities, and sufficient time should be allowed between Committee and Board meetings to enable work arising from the Committee meeting to be undertaken and reported to the Board. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- ii) approve the annual Remuneration Policy Statement as required by the UK regulators and the Chairman of the Committee will be available to meet with the UK regulators to discuss the Remuneration Policy Statement and related issues;
- iii) receive assurance that information on remuneration policies and practices within the Santander UK Group is provided to Banco Santander in a timely manner to ensure it meets its regulatory obligations

- iv) approve the contents of the Directors' Remuneration Report to be included in the Company's Annual Report and Accounts and Summary Financial Statements;
- v) approve the Pillar 3 remuneration disclosures as required by the relevant remuneration regulations; and
- vi) review any other significant remuneration disclosures as required by regulation from time to time.

#### **4. ADVICE**

The Committee is authorised to obtain any information it requires from any employee of the Company in order to perform its duties and, at the Company's expense, obtain outside legal or other professional advice on any matter within its Terms of Reference. The Committee is also authorised to select, appoint and set the terms of appointment for any external advisers to the Committee.

#### **5. VERSION CONTROL**

##### **5.1 CHANGES TO THE TERMS OF REFERENCE**

These Terms of Reference shall be reviewed by the Committee at least once a year and any proposed amendments will be recommended to the Board for approval. Change to the Terms of Reference must be approved by the Company's Board.

##### **5.2 CHANGE HISTORY**

Version 1	Approved by the Board on 22 December 2009
Version 2	Approved by the Board on 27 July 2010
Version 3	Administrative amendments approved by Company Secretary, Head of Corporate Services & HR on 16 December 2010
Version 4	Approved by the Board on 25 September 2012
Version 5	Approved by the Board Remuneration Oversight Committee on 30 October 2012
Version 6	Approved by the Board on 17 December 2013
Version 7	Approved by the Board on 27 July 2015
Version 8	Approved by the Board on 15 December 2017
Version 9	Approved by the Board on 30 November 2018