

## **SANTANDER UK GROUP HOLDINGS PLC ('HoldCo')**

### **REGULATORY REMUNERATION DISCLOSURES FOR THE FINANCIAL YEAR 2021**

The following disclosures for Santander UK Group Holdings plc (the "Company", "HoldCo" or "Santander UK") are prepared in accordance with PRA Policy Statement PS22/21 Implementation of Basel Standards.

This report provides details of the remuneration of the Company's Material Risk Takers and for all staff where required for the financial year ending 31 December 2021, together with an explanation of the Company's remuneration policies, practices and governance arrangements. Additional information is contained in the 2021 Santander UK Group Holdings plc Annual Report & Accounts.

### **PART 1 - QUALITATIVE REMUNERATION DISCLOSURE**

#### **Table EU REMA – Remuneration Policy**

##### **a) Information relating to the bodies that oversee remuneration.**

Since January 2019, following structural changes to the business and in order to ensure compliance with the Ring-fenced Bodies part of the PRA Rulebook, our governance framework comprises a Remuneration Committee ("RemCo") for HoldCo and another for Santander UK plc (the ring-fenced bank, "RFB"). RFB and HoldCo RemCos may be held concurrently where it is considered appropriate to do so, but at least twice each year, the RFB RemCo considers separately from the HoldCo RemCo matters specific to the RFB alone. Holding meetings concurrently ensures that information is appropriately shared between the two RemCos.

The remit of the HoldCo RemCo covers remuneration in employing entities across HoldCo and its subsidiaries and undertakings. The remit of the RFB RemCo covers the RFB and its employing entities, subsidiaries and undertakings only. Broadly:

The RFB RemCo:

- Maintains oversight of, considers and adopts remuneration policies and frameworks for employees of the RFB Sub-Group; and
- Has overarching responsibility to oversee, make recommendations to and implement HoldCo Group policies and frameworks and to approve remuneration arrangements for executives and senior employees across the RFB Sub-group.

The HoldCo RemCo:

- Maintains oversight of, considers and approves the over-arching remuneration policies and frameworks to be adopted and embedded throughout the HoldCo Group.

The members of the RFB RemCo during 2021 were Annemarie Durbin (Chair), Ed Giera, Chris Jones, Mark Lewis and Genevieve Shore (until 30 June 2021). The members of the HoldCo RemCo during 2021 were Chris Jones (Chair) and Ed Giera. All members are independent non-executive directors (two RFB RemCo members are RFB Double Independent Non-Executive Directors). Additionally, the Chairs of the Board Audit and Risk committees and the majority of the Board Responsible Banking committee members are also members of the RFB RemCo. This facilitates the sharing of information and supports challenge and deliberation amongst those committees.

Santander Financial Services ('SFS') does not require its own remuneration committee given it is not deemed 'significant' under the Remuneration Part of the PRA Rulebook. Consequently, the HoldCo RemCo continues to oversee remuneration arrangements in SFS.

The Chief HR Officer, the Performance & Reward Director and Company Secretary are standing attendees of the Committee and the Chief Risk Officer and Chief Legal and Regulatory Officer regularly attend RemCo meetings to provide input on relevant matters. The Chief Internal Auditor provides input into relevant matters as appropriate and can attend meetings by invitation. No individual is involved in decisions about their own remuneration.

During 2021, the HoldCo RemCo met 10 times and the RFB RemCo met 12 times. The RemCos' terms of reference were last updated in January 2022 and are kept under regular review. Full terms of reference are available at [www.santander.co.uk](http://www.santander.co.uk).

During 2021, the RemCos engaged the advice and support of Deloitte LLP ('Deloitte') as independent remuneration consultants. Deloitte are typically invited to attend all RemCo meetings, offering a perspective on market practice and the implications of our approach to remuneration taking into account the broader shareholder and regulatory environment and the communities in which we operate. Deloitte offered advice in respect of proposed changes to our Remuneration Policy and variable pay plans and the impact and appropriateness of remuneration policies and frameworks in the context of regulatory change. The RemCo is satisfied that the Deloitte engagement partner and team that provide remuneration advice to the Committee do not have connections with Santander UK that may impair their independence.

Our Regulated Remuneration Governance Framework ("RRGF") outlines our remuneration policies, practices and governance structure and sets out the overarching controls system in place to manage and control risks. The RRGF is applicable and adopted across the HoldCo Group entities (including the RFB and its subsidiaries (the 'RFB Sub-Group')).

MRTs are identified in accordance with our Material Risk Taker Identification Framework. For 2021, our MRT Identification Framework was applied at a HoldCo (consolidated) and RFB (consolidated) level. Identification by qualitative and quantitative criteria followed the requirements as set out in the Draft Regulatory Technical Standards on MRT identification as published by the EBA ('EBA RTS') in June 2020 and the Remuneration Part of the PRA Rulebook. In addition, the PRA Policy Statement (published end May 2021) was taken into consideration in terms of having explicit reference both to the previous EBA RTS under CRD IV and the current EBA RTS under CRD V for purposes of the 2021 identification exercise. Under each identification process, solo and dual regulated entities (sub-consolidated) within that group are identified and the regulatory requirements are applied to those entities separately, notwithstanding that they may not themselves be subject to CRD.

In addition to the qualitative and quantitative criteria, Santander UK conducts a localised risk and compliance assessment of all roles to ensure that all material risk types that could impact the business are considered, not limited to those specified by the regulation and, if appropriate, identifies additional MRTs as a result.

Broadly, the following types of individuals have been identified as MRTs of Santander UK:

- The Executive and Non-Executive Directors of the Company's Board and the members of the Company's Executive Committee;

- Senior managers of significant divisions and control functions such as audit, compliance, risk and Accounting & Financial Control;
- Other senior managers reporting to the Board and heads of major divisions, such as Finance and HR;
- Employees whose total remuneration takes them into the same bracket as senior managers; and
- Other risk takers, whose professional activities may have a material impact on the firm's risk profile, including all senior level management across the Company.

**b) Information relating to the design and structure of the remuneration system for identified staff.**

Santander UK has adopted remuneration policies which are designed to:

- a) encourage a high-performance culture, where people are rewarded and recognised for their performance in both what they do and how they do it (including individual impact on risk culture, individual conduct, controls and customer outcomes) with their contribution to the Company's success;
- b) encourage responsible business conduct and fair treatment of customers/clients; and
- c) enable and promote an effective risk culture, strong risk ownership and effective control management.

We apply a consistent approach to the reward of all our employees, aligned to our values of Simple, Personal and Fair. The design of our remuneration framework ensures continued alignment with our strategic priorities as well as our values and behaviours. It also reflects the views and experience of our various stakeholders, including our workforce, customers and the wider Banco Santander Group. The RemCos undertake an annual review of the remuneration policies and practices for the wider workforce and receive updates throughout the year on wider workforce matters to align remuneration policies across the Company.

RemCo is responsible for setting the overarching principles and parameters of the remuneration policy across the Company, this includes MRTs as well as the oversight of the implementation of remuneration policies across Santander UK.

Remuneration at Santander UK is comprised of fixed pay (typically base salary, retirement and other benefits) and performance related variable pay (including deferred awards), except for non-executive directors who receive a fixed fee. This is aligned to the Banco Santander remuneration framework.

A significant proportion of the performance related pay for Material Risk Takers is deferred over the long-term and remains 'at risk'. The purpose of deferred awards is to support a culture where employees recognise the importance of long-term sustainable performance of both Santander UK and the Banco Santander, S.A. group (the "Group") generally and to ensure that a significant proportion of remuneration remains at risk and capable of risk adjustment over the long-term. The structure of variable pay awards ensures that incumbents acquire a meaningful shareholding in Banco Santander SA which may extend for a significant period post-employment.

Details of the key aspects of the remuneration components are set out below:

- a) Fixed pay

Base salaries are reviewed annually, appropriately benchmarked and set at market competitive levels, with reference to the specific market for the business in which an individual works, the approach to employee pay throughout the organisation, the skills and competencies that the individual brings to their business area and the complexity of the role. Post-retirement and other benefits are offered as part of a competitive remuneration package, including relocation and expatriate allowances where relevant. The level of fixed pay aims to be sufficient so that inappropriate risk-taking is not encouraged.

b) Variable pay

The purpose of the annual variable pay plans are to align participants' reward with the financial and non-financial performance of Santander UK as measured over the financial year, taking into account the Company's risk appetite and an individual's personal contribution. Multi-year deferral, and delivery in Banco Santander SA shares ensure that interests of Material Risk Takers are aligned to the long-term interest of the Company and the Group. Payments may be adjusted subject to performance and risk, and for the most senior participants deferred awards are subject to further performance conditions, which can reduce, but not increase the level of deferred payout.

We apply a consistent approach to reward for all employees and therefore all employees are eligible to participate in an annual variable pay plan, subject to their role and reward band.

During 2021, the Company operated the following annual variable pay plans in which Material Risk Takers could participate, these were:

- The Santander UK Variable Pay Plan;
- The Santander Corporate and Investment Bank ("SCIB") UK Variable Pay Plan;
- The Santander Consumer (UK) ("SCUK") Variable Pay Plan; and
- The Santander Financial Services ("SFS") Variable Pay Plan.

In addition to the above, nominated colleagues are eligible to participate in the Digital Transformation Award. This variable pay plan was developed by Banco Santander S.A. with amendments for operation in the RFB to ensure compliance with relevant regulations. No awards were made to MRTs under this variable pay plan in respect of the 2021 performance year.

Awards under a one-off long-term incentive, the Transformation Incentive, were granted to nominated colleagues in 2021. The incentive plan seeks to incentivise and recognise the collective achievement of key financial and non-financial targets associated with the bank's ongoing transformation. Initial awards were granted based on performance in respect of 2020 and future long-term performance will be measured over three years to 31 December 2023. A further tranche of awards for those not eligible in the prior year will be granted in 2022 based on performance in respect of 2021, with the same future long-term performance measures applying over the period to 31 December 2023.

Further details on the performance parameters and rationale for each of the above plans can be found at section (g).

In addition to the above, retention awards were made to selected staff during the year in the context of a restructuring and in accordance with regulatory requirements.

Information on deferral/ payment in instruments can be found in section (e). Details of our approach to ex-ante is included in section (c) and ex-post risk adjustment in section (f).

The RemCo annually reviews the RRGF and associated policies. The RRGF underwent a wholesale review in 2019 to ensure compliance with relevant ring-fencing regulations. Subsequently, no substantive amendments were made in 2020 or 2021, although the policies were reviewed and updated, where necessary, for compliance with CRD V. Minor amendments ensured that policy updates, such as the introduction of the long-term Incentive Schemes (Digital Transformation Award and Transformation Incentive) and updates to MRT identification were reflected in our remuneration policy. Aside from the RemCo, the Board Chair, Chief Executive Officer, Chief HR Officer, Chief Risk Officer, Chief Legal and Regulatory Officer and our independent remuneration consultants input into any proposed changes to remuneration policy as relevant.

In respect of remuneration for MRTs in control functions (Risk, Internal Audit, Compliance, Accounting and Financial Control), variable pay is funded from the overall bonus pool with awards allocated based on function and individual performance, as measured through the performance review process. Individual performance for control function colleagues is assessed by reference to specific objectives set at the start of the year. Such objectives are aligned to the successful operation of their function and, other than in exceptional circumstances, contain no financial metrics and are independent from the business units that they control and oversee.

Guaranteed variable remuneration is only awarded in exceptional circumstances where no other suitable candidate is available due to particular market conditions. It will always be limited to new hires and in their first year of service and only when sustainable according to the capital position of the Company.

Severance payments are non-contractual and non-statutory payments on termination of employment. Such payments will only be made in exceptional circumstances on a case-by-case basis but generally only in circumstances where not making the payment would put the Company at greater or unnecessary risks. Payments will not be made where there is an issue of conduct or performance which allows for the immediate dismissal of the individual and will not reward failure or misconduct.

**c) Description of the ways in which current and future risks are taken into account in the remuneration processes.**

All variable remuneration is subject to adjustment for current and future risks as well as malus and clawback provisions.

**Ex-ante risk adjustment**

All variable remuneration is subject to adjustment for current and future risks through our Additional Risk Adjustment Standard. Our Additional Risk Adjustment Standard provides both a formula-based assessment against Santander UK's Risk Appetite and an additional qualitative event-based overlay, for other exceptional events or factors which may also need to be taken into consideration that can result in a downward risk adjustment of up to 100% of the bonus pool or individual awards at the discretion of the RemCo. For example, this includes Risk Appetite Limit breaches not captured by the formula-based approach (such as reputational risk, pension risk and financial crime risk), the view of Internal Audit (audit report ratings, the control environment, past due recommendations), evolution of complaints, evolution of Material Escalation Events (MEEs) and Significant Escalation Events (SEEs), progress on remediation projects and ring-fencing regulation compliance.

The Remuneration Committee seeks input from the Board Risk Committee, the Chief Risk Officer, Chief Internal Auditor and the Chief Legal and Regulatory Officer when determining whether any performance or risk adjustments are required particularly in relation to the application of risk adjustment to the bonus

pool. Furthermore, the Chair of the Company's Board Risk Committee and the Audit Committee Chair (and Whistleblowing Champion) and other members of those Committees sit on the Remuneration Committee. The Committee Chair also engages with the Chair of the Board Risk Committee to seek their input on remuneration related matters where appropriate.

Details of our approach to ex-post risk adjustment are included in section (f).

**d) The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.**

The performance-related elements of the package make up an appropriate proportion of the total remuneration of the Company's senior executives and senior employees, up to a maximum of 2:1 variable to fixed pay, in line with the regulatory limit and as approved by shareholders of Banco Santander, S.A. (most recently approved by shareholders on 26 March 2021). Save for in exceptional circumstances, for control function staff a lower operational ratio of 1:1 is applied.

MRT	Maximum ratio
Control function roles (save for in exceptional circumstances)	1:1
All other MRT roles	2:1

Variable pay opportunities are reviewed regularly to ensure that the fixed and variable components are appropriately balanced and that the fixed portion represents a sufficiently high proportion of total remuneration to allow the operation of a fully flexible policy on variable remuneration components including the possibility to pay no variable remuneration. The level of fixed pay is set at a level deemed sufficiently high so that inappropriate risk-taking is not encouraged.

Santander UK recognises that the competitive market for Executive and Senior Leadership talent within financial services is constantly evolving and flexibility in the area of remuneration may be required. The RFB and HoldCo RemCos therefore keep the actual balance of fixed and variable remuneration under review considering regulatory requirements, market practice and our own appetite for risk.

**e) Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration.**

The Company's performance management framework forms the basis of measuring the performance of individuals, which in turn determines the level of awards to individuals. Individuals' objectives (and the assessment thereof) are a combination of financial, non-financial, qualitative and quantitative measures and are based on a combination of performance of the individual, the business unit concerned and the overall Company. The assessment of performance considers the behaviours and delivery of objectives through "what," "how" and risk measures.

Our annual Variable Pay pools are determined based on a combination of financial and non-financial criteria using a balanced scorecard approach. The measures are linked to the Company's strategy. The Santander UK bonus pool is linked to, and varies in line with, RFB overall performance. The SCUUK bonus pool is determined based on the quantitative and qualitative performance of SCUUK within the RFB against a range of financial and non-financial criteria. In some business areas, additional metrics applied based on business unit performance. For the SFS Variable Pay Framework, the performance of SFS plc is taken into account when determining this bonus pool. The performance of other business units on a standalone

basis are captured by the ex-ante risk adjustment process, as well as through the individual performance assessments which determine the allocation of the pool.

This approach ensures that performance is assessed at a firm, individual and business unit level.

For the most senior participants in the Santander UK Variable Pay plan (broadly Executive Committee Members), the payment of the first three deferred tranches of awards (36% of the total award) is conditional on the achievement of long-term objectives measured over a three-year period. The performance measures applicable to the 2021 bonus awards are Earnings Per Share, relative Total Shareholder Return and fully-loaded Common Equity Tier (CET1) capital ratio. Following performance assessment, the level of awards will be adjusted accordingly. The measures can reduce but not increase the value of the deferred awards.

Information on the performance metrics used in the formulaic determination of variable pay is provided in section (g).

#### **Adjusting variable remuneration**

As detailed in section (g), all variable pay plans are assessed against a range of financial and non-financial performance measures. Performance for our annual variable pay plans, the Santander UK Variable Pay Plan, the SCIB RFB Variable Pay Plan, the SCUUK Variable Pay Plan and the SFS Variable Pay Plan and the Transformation Incentive Plan are all measured against balanced scorecards and subject to a discretionary overlay to ensure that the payment of variable remuneration is fully reflective of performance at Company, business line and individual level.

Where performance does not meet the targets set in the balanced scorecard or is otherwise considered to be unsatisfactory, then awards may be scaled back, including to zero. In addition, under the Santander UK Variable Pay Plan, there is an additional profit underpin for certain senior individuals whereby the bonus pool is reduced where certain profit metrics are not met.

As outlined in sections (c) and (f), all variable pay is subject to a thorough risk assessment in advance of the payment or vesting of any awards. Awards can be scaled back at the RemCo's discretion by way of, ex ante adjustments, in-year adjustments and for previously granted awards by way of malus and/ or clawback.

#### **f) Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance.**

Information on the long-term performance metrics assessed under the Santander UK Variable Pay plan, applicable to senior participants is provided in section (e) and the one-off Transformation Incentive Plan in section (g).

#### **Deferral / payment in instruments**

The deferral and payment in instrument arrangements for MRTs are determined by the requirements of the PRA Rulebook and the FCA Remuneration Code. At least 50% of variable remuneration for MRTs is delivered in Banco Santander shares or share linked instruments. This applies to both the upfront and deferred elements of awards. A 12-month retention policy applies to each portion of the award which is delivered in shares or share linked instruments.

Other than those considered Senior Managers in defined roles under the Senior Manager & Certification Regime, awards are deferred for four or five years depending on MRT status, vesting on a pro-rata basis and delivered in line with the requirements of the PRA Rulebook and the Remuneration Code. Individuals considered as Senior Managers in defined roles under the Senior Manager & Certification Regime are subject to seven-year deferral with no vesting for the first three years. For all MRTs either 40% or 60% of variable pay is deferred based on the application of the Remuneration Code.

The vesting of deferred awards is subject to continued employment (other than in the case of employment being terminated in circumstances where the employee is a good leaver) and is subject to the Company's rules on performance adjustment, malus and clawback.

### **Ex-post risk adjustment**

Our Individual Remuneration Adjustment Standard provides a framework for the process, governance and standards relevant for making decisions in relation to individual performance adjustments, including malus and clawback.

Performance adjustments may include, but are not limited to:

- Reducing a bonus outcome for the current year;
- Reducing the amount of any unvested deferred variable remuneration;
- Requiring a bonus which has been awarded (but not yet paid) to be forfeited; or
- Requiring repayment on demand (on a net basis) of any cash and share awards received.

The Remuneration Committee will have full discretion to prevent vesting of all or part of an amount of deferred remuneration and/or to freeze an award during an ongoing investigation in a number of circumstances, including:

- (a) there is reasonable evidence of the Participant's misbehaviour, misconduct, material error or omission (including a failure to follow internal controls, meet Participating Company standards of behaviour or ethical conduct, and/or where the individual failed to follow risk management processes and standards);
- (b) a Participating Company or a relevant business unit suffers a material downturn in its financial performance;
- (c) there has been a material failure of risk management in a Participating Company or a relevant business unit;
- (d) one or more incidents or circumstances that result in a material adverse impact on the customers, counterparties and wider markets of a Participating Company or on a Participating Company's relationship with other stakeholders;
- (e) one or more incidents or circumstances that result in fines or other regulatory action material to a Participating Company or there have been direct or indirect financial losses attributable to a failure, or where the incident or circumstances resulted in reputational damage to a Participating Company;
- (f) the Participant fails to meet appropriate standards of fitness and propriety;
- (g) significant changes in a Participating Company's economic or regulatory capital base and the qualitative assessment of risks;
- (h) a material misstatement or reformulation of a Participating Company's financial statements (except when required due to modification of the accounting rules);
  - (i) an error in assessing the number of Shares and/or amount of cash in respect of which the Award was granted or in any other information or assumptions on which the Award was granted or Vests; or



- (j) any other circumstances that RemCo in its discretion considers to be similar in their nature or effect to those above.

The Remuneration Committee will have full discretion to clawback an award from an MRT for up to seven years. This clawback period may be extended for a period of up to ten years for PRA designated Senior Managers if either Santander UK or a regulator has begun an inquiry that could result in the application of clawback.

#### **Shareholding requirements**

The CEO is subject to a Shareholding Policy, which ensures alignment with the long-term interests of Banco Santander shareholders. The requirement under the policy is set at two times the incumbent's net salary upon appointment. The structure of variable pay awards for other MRTs means they acquire a meaningful shareholding in Banco Santander SA which may extend for a significant period post-employment.

#### **g) The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR.**

##### **Santander UK Variable Pay Plan (RFB)**

This plan rewards financial and non-financial performance over the year against a range of metrics using a balanced scorecard approach. The Plan assesses performance against the RFB's KPIs in the following categories:

- Customers (Customer Net Promoter Score ('NPS'))
- People (Employee Engagement)
- Sustainability (Financial Empowerment)
- Shareholders
  - Risk (Cost of Credit Ratio)
  - Capital (Contribution to Group Capital)
  - Profitability (Return on Tangible Equity)

Variable pay is linked to, and varies in line with, RFB overall performance. Performance is measured on a quantitative and qualitative basis to ensure a balanced assessment of performance is made. An additional profit underpin applied for senior roles in 2021.

In some business areas, additional metrics relating to local business performance applied during 2021.

The bonus pool is adjusted for risk based on an assessment of risk events and performance against our overall risk appetite.

##### **Santander Corporate and Investment Bank (UK) Variable Pay Plan (RFB)**

This plan rewards financial and non-financial performance over the year against a range of metrics using a balanced scorecard approach. Performance is measured on a quantitative and qualitative basis to ensure a balanced assessment of performance is made. The Plan assesses performance against the Santander UK Variable Pay Plan scorecard (the performance of Santander Corporate and Investment Bank (RFB) is included in Santander UK's targets and outcomes) and takes into account the performance of the business area on a standalone basis through individual performance management assessment.

The bonus pool is adjusted for risk based on an assessment of risk events and performance against our overall risk appetite.

#### **Santander Consumer (UK) Variable Pay Plan (RFB)**

This plan rewards MRTs in the Santander Consumer (SCUK) plc business, assessing financial and non-financial performance over the year against a range of metrics using a balanced scorecard approach. The measures are based on Santander UK plc's strategy and for 2021 are:

- Customers (Dealers' Net Promoter Score with Borrowers' Satisfaction Gateway)
- Risk (Cost of Credit Ratio)
- Capital (Contribution to Group Capital)
- Profitability (Return on Tangible Equity)
- People and Sustainability/ Communities – A downward-only adjustment may be made with reference to Employee Engagement and the proportion of new electric / hybrid vehicles financed by SCUK through the Additional Risk Adjustment Standard.

A net profit underpin also applied for 2021.

Variable pay is linked to, and varies in line with, SCUK and RFB overall performance. The bonus pool is adjusted for risk based on an assessment of risk events and performance against our overall risk appetite.

#### **Santander Financial Services (UK) Variable Pay Plan**

This plan rewards employees in the Santander Financial Services (SFS UK) plc business, assessing financial and non-financial performance over the year against a range of metrics using a balanced scorecard approach. For 2021 the metrics related to:

- Customers (Number of loyal customers)
- Shareholders
  - Risk (Non-performing Loans Ratio)
  - Liquidity (Liquidity Coverage Ratio)
  - Profitability (PBT and Cost of Funds)
  - Capital (Leverage Ratio and CET 1 Ratio)
- Employees (Employee Engagement Score)
- Sustainability (People Financially Empowered).

Variable pay is linked to, and varies in line with, SFS overall performance. The bonus pool is adjusted for risk based on an assessment of risk events and performance against our overall risk appetite.

#### **Digital Transformation Awards (RFB participants)**

The purpose of the Digital Transformation Award ("DTA") is to attract and retain talent that will advance, accelerate and deepen the digital transformation of Santander. The Scheme was developed by Banco Santander S.A. and approved by its shareholders at its Annual General Meeting ("AGM") in April 2019. The RemCo has oversight of RFB nominations in the Scheme and has oversight of its implementation for RFB participants, in line with UK regulatory requirements.

No DTA awards were made to MRTs in respect of the 2021 performance year.

Individual performance (including non-financial elements) and RFB financial performance underpins apply to this Scheme in the pre-grant performance period and over the vesting period.

The Scheme is structured so that half of the award is made in free shares and half in market-value options, vesting in one tranche three years after the date of grant. Any options awarded must be exercised within ten years of the date of grant, following which unvested options will lapse. Awards are subject to ex-ante and ex-post (malus and clawback) risk adjustment.

**Transformation Incentive (RFB participants)**

This is a one-off long term incentive plan which is designed to recognise the achievement of financial targets and an enhanced customer experience, whilst maintaining appropriate conduct controls and risk management, over the course of the Company's transformation period. The first awards under the plan were granted in 2021 in respect of performance during 2020 with long-term performance assessed over the period 1 January 2021 to 31 December 2023. A further tranche of awards to those not eligible to participate in the prior year will be granted in 2022 based on performance in respect of 2021, with the same future long-term performance measures applying over the period to 31 December 2023.

The plan assesses financial and non-financial performance over the Transformation period, including:

- A cost gateway.
- A range of non-financial modifiers which have the ability to enhance the overall award (by up to 20%) or reduce it to zero:
  - People: employee engagement
  - Customers: delivering an enhanced customer experience
  - Conduct: appropriate conduct controls
  - Risk: sound risk management.

Awards for MRTs will be granted half in cash and half in share linked instruments (linked to the Banco Santander S.A. share price) and will vest in accordance with regulatory requirements.

The grant of the awards takes into account individual performance and conduct and RFB financial performance (Capital and Leverage ratios exceeding regulatory minima). Awards are also subject to the achievement of individual performance and RFB performance underpins (profit and capital) over the performance period as well as risk adjustment.

**i) Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.**

Santander UK is a proportionality Level 1 firm in the UK and therefore applies the requirements of the remuneration part of the UK's Remuneration Code in full on a consolidated basis.

Santander UK applies the derogation laid down in Article 94(3)(b) of CRD where an individual's annual variable remuneration (a) does not exceed £44,000 and (b) does not represent more than one third of the individual's total annual remuneration.

Details of the staff in relation to which this derogation was applied in respect of 2021/22 are set out below:

Number of staff	Total fixed remuneration	Total variable remuneration
8	£861,853	£162,391

## **PART 2 – QUANTITATIVE REMUNERATION DISCLOSURE**

The following disclosure provides quantitative remuneration information for the Company's MRT population for the financial year ending 31 December 2021.

For the purposes of the following tables, the Executive Directors of HoldCo and/or RFB are considered as Management Body, Management Function, and the Non-Executive Directors of HoldCo and/or RFB are considered as Management Body, Supervisory Function. Members of the RFB Executive Committee and any other individuals at Santander UK job band S7 are considered as Senior Management.

## UK REM1 - Remuneration awarded for the financial year

		a	b	c	d	
		MB Supervisory function	MB Management function	Other senior management	Other identified staff	
1	Fixed remuneration	Number of identified staff	28	4	28	165.9
2		Total fixed remuneration <sup>1</sup>	£2,173,426	£5,246,431	£11,899,493	£35,283,310
3		Of which: cash-based	£2,173,426	£5,246,431	£11,899,493	£35,283,310
4		(Not applicable in the UK)				
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the UK)				
7		Of which: other forms	-	-	-	-
8	(Not applicable in the UK)					
9	Variable remuneration	Number of identified staff	28	4	28	165.9
10		Total variable remuneration <sup>2</sup>	£0	£5,541,876	£14,831,696	£25,305,902
11		Of which: cash-based	£0	£2,944,015	£7,415,847	£12,718,553
12		Of which: deferred	£0	£1,558,717	£4,458,211	£5,581,379
UK-13a		Of which: shares or equivalent ownership interests	£0	£2,597,861	£6,337,722	£11,648,319
UK-14a		Of which: deferred	£0	£1,558,716	£3,425,573	£4,756,556
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments		£0	£1,078,127	£939,030
UK-14b		Of which: deferred	£0	£0	£1,078,127	£939,030
UK-14x		Of which: other instruments				
UK-14y		Of which: deferred				
15	Of which: other forms					
16	Of which: deferred					
17	Total remuneration (2 + 10)		£2,173,426	£10,788,307	£26,731,189	£60,589,213

<sup>1</sup> 'Fixed remuneration' comprises salary and all benefits and allowances.

<sup>2</sup> 'Variable remuneration' includes awards made under the Transformation Incentive Plan

**UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)**

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	2	1
2	Guaranteed variable remuneration awards -Total amount	£0	£0	£227,450	£130,000
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	£0	£0	£0	£0
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	£0	£0	£0	£0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	£0	£0	£0	£0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	1	2	8
7	Severance payments awarded during the financial year - Total amount	£0	£346,154	£300,000	£1,218,602
8	Of which paid during the financial year	£0	£346,154	£300,000	£1,218,602
9	Of which deferred	£0	£0	£0	£0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	£0	£346,154	£300,000	£1,218,602
11	Of which highest payment that has been awarded to a single person	£0	£346,154	£150,000	£304,768

## UK REM3 – Deferred remuneration

	a	b	c	d	e	f	UK - g	UK - h	
Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years <sup>3</sup>	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods	
1	MB Supervisory function	£0	£0	£0	£0	£0	£0	£0	
2	Cash-based	£0	£0	£0	£0	£0	£0	£0	
3	Shares or equivalent ownership interests	£0	£0	£0	£0	£0	£0	£0	
4	Share-linked instruments or equivalent non-cash instruments	£0	£0	£0	£0	£0	£0	£0	
5	Other instruments	£0	£0	£0	£0	£0	£0	£0	
6	Other forms	£0	£0	£0	£0	£0	£0	£0	
7	MB Management function	<b>£8,992,490</b>	<b>£678,370</b>	<b>£8,314,120</b>	£0	<b>£713,772</b>	£0	<b>£678,370</b>	<b>£339,185</b>
8	Cash-based	£3,902,748	£339,185	£3,563,563	£0	£356,886	£0	£339,185	£0
9	Shares or equivalent ownership interests	£3,854,420	£339,185	£3,515,235	£0	£356,886	£0	£339,185	£339,185
10	Share-linked instruments or equivalent non-cash instruments	£1,235,322	£0	£1,235,322	£0	£0	£0	£0	£0
11	Other instruments	£0	£0	£0	£0	£0	£0	£0	£0
12	Other forms	£0	£0	£0	£0	£0	£0	£0	£0
13	Other senior management	<b>£12,702,798</b>	<b>£984,181</b>	<b>£11,718,617</b>	£0	<b>£754,572</b>	£0	<b>£984,181</b>	<b>£492,089</b>
14	Cash-based	£6,351,397	£492,092	£5,859,305	£0	£377,286	£0	£492,092	£0
15	Shares or equivalent ownership interests	£4,703,535	£492,089	£4,211,446	£0	£377,286	£0	£492,089	£492,089

<sup>3</sup> Reductions due to ex-post adjustments where performance conditions have not been fully met

16	Share-linked instruments or equivalent non-cash instruments	£1,647,866	£0	£1,647,866	£0	£0	£0	£0	£0
17	Other instruments	£0	£0	£0	£0	£0	£0	£0	£0
18	Other forms	£0	£0	£0	£0	£0	£0	£0	£0
19	Other identified staff	<b>£23,676,956</b>	<b>£3,889,885</b>	<b>£19,787,071</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£3,889,885</b>	<b>£1,944,943</b>
20	Cash-based	£11,838,480	£1,944,942	£9,893,538	£0	£0	£0	£1,944,942	£0
21	Shares or equivalent ownership interests	£8,326,590	£1,944,943	£6,381,647	£0	£0	£0	£1,944,943	£1,944,943
22	Share-linked instruments or equivalent non-cash instruments	£3,511,886	£0	£3,511,886	£0	£0	£0	£0	£0
23	Other instruments	£0	£0	£0	£0	£0	£0	£0	£0
24	Other forms	£0	£0	£0	£0	£0	£0	£0	£0
25	<b>Total amount</b>	<b>£45,372,244</b>	<b>£5,552,436</b>	<b>£39,819,808</b>	<b>£0</b>	<b>£1,468,344</b>	<b>£0</b>	<b>£5,552,436</b>	<b>£2,776,217</b>

### UK REM4 - Remuneration of 1 million EUR or more per year

	EUR <sup>4</sup>	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	10
2	1 500 000 to below 2 000 000	1
3	2 000 000 to below 2 500 000	2
4	2 500 000 to below 3 000 000	2
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	1
9	5 000 000 to below 6 000 000	1
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0

<sup>4</sup> Table prepared in Euros, converted using the exchange rate: £1 = €1.18227 EUR, using the rates published by the European Commission for December 2021.



### UK REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										225.9
2	Of which: members of the MB	28	4	32							32
3	Of which: other senior management				1	7	0	7	7	6	28
4	Of which: other identified staff				11	18	0	25.9	30	81	165.9
5	Total remuneration of identified staff	£2,075,803	£10,788,307	£12,961,732	£7,430,797	£13,720,308	£0	£18,504,425	£16,734,783	£30,930,088	<b>£100,282,134</b>
6	Of which: variable remuneration	£0	£5,541,876	£5,541,876	£4,581,794	£7,081,428	£0	£8,591,094	£7,217,127	£12,666,155	<b>£45,679,475</b>
7	Of which: fixed remuneration	£2,173,426	£5,246,431	£7,419,856	£2,849,003	£6,638,880	£0	£9,913,331	£9,517,656	£18,263,933	<b>£54,602,660</b>