

**SANTANDER UK PLC**  
**(the Ring-Fenced Bank (“RFB”))**

**BOARD REMUNERATION COMMITTEE**  
**(the “Committee”)**

**TERMS OF REFERENCE**

Approved by the Board with effect from 17 October 2024.

**1. PURPOSE**

1.1. The purpose of the Committee is to:

- 1.1.1. Adopt, and oversee the implementation of, over-arching remuneration principles, policies and frameworks applicable across the RFB and its subsidiaries and subsidiary undertakings (together the “**RFB Sub-group**”).
- 1.1.2. Consider and approve the remuneration arrangements for those employees falling within the remit and thresholds set out in paragraph 3.7 of the Regulated Remuneration Governance Framework document (“**RRGF**”), including the Chair, Executive Directors, members of the Executive Committee and other senior executives of the RFB Sub-group, together with other RFB Sub-group employees with Senior Management Function responsibilities.
- 1.1.3. Have oversight of the remuneration arrangements of other Material Risk Takers (“**MRTs**”) within the RFB Sub-group. Oversight extends to employees of Banco Santander S.A. (“**Banco Santander**”), the RFB’s ultimate parent, who are captured within the RFB Sub-group’s remuneration framework.

**2. RESPONSIBILITIES**

- 2.1. The Committee has an overarching responsibility to adopt and oversee the implementation of the remuneration policies and frameworks of Santander UK Group Holdings plc (the “**HoldCo**”) and its subsidiaries and subsidiary undertakings (together the “**HoldCo Group**”) and to approve specific remuneration arrangements for those employees within its remit ensuring that due consideration has been given to the RFB Sub-group’s long-term business strategy, objectives, risk appetite, culture and values.
- 2.2. In discharging its duties, and with reference to the Ring-fenced Bodies Part of the Prudential Regulation Authority (“**PRA**”) Rule Book (the “**Ring-Fencing Rules**”), the Committee shall:
  - 2.2.1. Have due regard of the interests of the RFB Sub-group and the wider Banco Santander group when making remuneration determinations for the RFB Sub-group.
  - 2.2.2. Act in accordance with all relevant and applicable legislation, regulation and guidance, including those issued by the PRA and the Financial Conduct Authority (“**FCA**”) (together the “**UK Regulators**”) generally and the Remuneration Part of the PRA Rulebook and the FCA Dual-regulated firms Remuneration Code and FCA Remuneration Code on Remuneration and Performance Management (SYSC 19D and SYSC 19F) as amended (together the “**Remuneration Code**”) as well as the FCA’s Consumer Duty and any other legal or regulatory requirements placed on Banco Santander that have direct effect on the RFB Sub-group.
  - 2.2.3. Give due consideration to law, regulations and any published guidelines regarding the remuneration of directors of listed and non-listed companies and formation and operation of share schemes to the extent appropriate to the RFB Sub-group’s ownership structure including but not limited to the provisions of the UK Corporate Governance Code and associated Guidance on Board Effectiveness, the Wates Corporate Governance Principles for Large

Private Companies, the Market Abuse Regulations and any other rules or guidance as the Committee considers appropriate.

2.2.4. Work with and seek advice from the Board Risk Committee, the Board Audit Committee and the Board Responsible Banking Committee, as appropriate.

### 2.3. Remuneration Policy

2.3.1. The Committee will:

- i) adopt and oversee the implementation of the HoldCo Group Remuneration Policy and the RRGF or any other applicable remuneration policy or framework, with such amendments as reasonably required to reflect the circumstances of the RFB Sub-group and ensure compliance with applicable law and regulations;
- ii) obtain assurance from appropriate internal divisions (particularly Risk, Compliance and HR) that remuneration arrangements are consistent with and promote the sound and effective risk management of the RFB Sub-group. The Committee will receive assurance from the Chief Risk Officer and Chief Compliance Officer in relation to the risk appetite and profile for the RFB Sub-group (taking into account current and future risks). The Committee will in turn provide the same assurance to the HoldCo Board Remuneration Committee;
- iii) in order to ensure the interests of employees and other stakeholders are aligned, ensure measures are included in the remuneration approach to avoid potential conflicts of interest in the design of incentive arrangements;
- iv) oversee and approve the identification framework and process for determining MRTs within the RFB Sub-group. Receive assurance from the RFB's Chief Risk Officer, Chief Compliance Officer and Chief People Officer that the appropriate individuals within the RFB Sub-group have been identified as MRTs in accordance with the framework;
- v) consider, approve and oversee the implementation of the policy and principles to be applied to any performance-related pay schemes operated by the RFB Sub-group, in which MRTs of the RFB Sub-group participate, including the suitability of metrics, together with other incentive schemes including customer facing reward schemes;
- vi) in relation to Banco Santander group-wide incentive schemes, agree any required amendments to the schemes to ensure compliance with UK remuneration regulations and ring-fencing rules, including agreeing the principles and parameters by which they will be applied within the RFB Sub-group; and
- vii) undertake an annual review of workforce remuneration, related policies and the alignment of incentives and rewards with culture (all of which should be taken into account when considering remuneration packages for employees falling within the Committee's remit).

### 2.4. Remuneration Adjustment

2.4.1. The Committee shall, with input from the Board Risk Committee and appropriate management committees, fora and functions, determine and approve:

- i) ex-ante risk adjustment - the appropriate level of collective and/or individual risk adjustment for any variable remuneration schemes, taking into account current and future risks; and
- ii) ex-post risk adjustment - the appropriate level of any performance adjustment made to in-year awards, unvested awards, deferred awards or paid awards to individuals, including through the application of malus and/or clawback provisions.

- 2.4.2. For RFB Sub-group employees performing roles across the RFB Sub-group and HoldCo Group, the HoldCo Board Remuneration Committee may review the variable pay awards proposed for these individuals and require ex-ante and/or ex-post risk adjustments (including adjustments to in-year awards and/or by way of malus and/or clawback) to be made to such awards at its discretion. Any such adjustments will be at the absolute discretion of the HoldCo Board Remuneration Committee, taking into account relevant incidents and factors (including performance) related to HoldCo Group outside the RFB Sub-group (hereinafter referred to as the “**Non-RFB Group**”). The Committee will ratify and/or validate any discretion applied by the HoldCo Board Remuneration Committee in respect of remuneration decisions for RFB Sub-group employees undertaking duties within the Non-RFB Group.
- 2.4.3. The Committee will at least annually review the adequacy of the RFB Sub-group’s remuneration risk adjustment practices and, when necessary, it will require management to report on the methodology and results of any remuneration policy testing, including how the policies react to external and internal events and how criteria used for determining awards and the ex-ante adjustment applied have been back-tested based on actual remuneration outcomes.
- 2.4.4. The Committee will have regard to current and future capital requirements and assess the mechanisms and systems adopted across the RFB Sub-group to ensure that remuneration arrangements properly take into account all types of risk, liquidity and capital levels within the RFB Sub-group.

## 2.5. Specific Remuneration Arrangements

- 2.5.1. In consultation with the RFB Board Chair (and CEO, where appropriate and provided that no individual shall be directly involved in setting their own remuneration), consider and approve the specific remuneration packages for certain employees (including Executive Directors, members of the Executive Committee and other senior executives of the RFB Sub-group, together with any other RFB Sub-group employee with designated Senior Management Function responsibilities) falling within the remit and thresholds set out in paragraph 3.7 of the RRGF.
- 2.5.2. The Committee’s responsibilities include the following specific matters and remuneration arrangements, which apply together and in accordance with the various governance thresholds set out in the RRGF:
- i) determine the total individual remuneration package for the Chair of the Board, subject to endorsement by the HoldCo Board Remuneration Committee. Fees paid to other individuals holding Non-executive positions on the RFB Board and any other subsidiary boards are set by the Board Chair and the CEO;
  - ii) determine the base salary, variable remuneration, pension and other benefits, any buy-outs of forfeited rights and/or termination payments for those employees falling within the Committee’s remit and thresholds set out in paragraph 3.7 of the RRGF (including Executive Directors, members of the Executive Committee and other senior executives of the RFB Sub-group, together with other RFB Sub-group employees with Senior Management Function responsibilities);
  - iii) consider recommendations from Banco Santander in relation to remuneration arrangements for employees who Banco Santander have seconded to the RFB Sub-group to assume positions which have a material impact on the RFB Sub-group’s risk profile;
  - iv) in relation to any individual performing roles across the RFB Sub-group and Non-RFB Group, approve specific remuneration arrangements (subject to the endorsement of the HoldCo Board Remuneration Committee);

- v) oversee the implementation of the remuneration policy for all other MRTs within the RFB Sub-group;
- vi) oversee and approve termination packages for employees within the RFB Sub-group, as set out in paragraph 3.7 of the RRGF, ensuring that any proposals relating to such payments ensure fairness, reflect performance achieved over time, avoid reward for failure and recognise the duty to mitigate loss;
- vii) in relation to control functions, oversee the approach to control function pay within the RFB Sub-group and receive assurances that remuneration for senior employees in control functions within the RFB Sub-group is determined independently from other business areas; and
- viii) consider and take appropriate steps to manage and mitigate any actual or potential conflicts of interest arising, including those that arise when receiving views from executive directors or senior management, or consulting with the CEO about senior management proposals.

## 2.6. All-Employees

- 2.6.1. The Committee will annually review the overall remuneration policy of the RFB Sub-group.
- 2.6.2. The Committee will review the HoldCo Group's pension policy in light of legislative and market changes, will make recommendations to the HoldCo Board Remuneration Committee in respect of any changes, and will adopt and oversee its implementation in relation to the RFB Sub-group.
- 2.6.3. The Committee will annually review the all-employee share schemes operated within the RFB Sub-group in light of legislative and market developments and the overall remuneration policy of the HoldCo Group as applicable to the RFB Sub-group.
- 2.6.4. The Committee will consider and oversee any existing and new incentive arrangements proposed to be operated in the UK for the benefit of employees of the RFB Sub-group.

## 2.7. Monitoring and Assurance

- 2.7.1. The Committee will annually undertake a review of the general principles of remuneration frameworks and policies applicable to the RFB Sub-group (including the application of the RRGF), taking the following into consideration:
  - i) whether the RFB complies with remuneration-related UK legislation and regulation as appropriate including the Remuneration Code and relevant PRA Ring-Fencing Rules; and
  - ii) whether the RFB complies with the UK Corporate Governance Code to the extent appropriate to its ownership structure.
- 2.7.2. The Committee will annually review the RFB's remuneration policies, practices and procedures to satisfy itself that these arrangements currently, and will continue to:
  - i) provide alignment with and promote the business strategy, objectives, values and long-term success of the RFB and the RFB Sub-group;
  - ii) provide consistency with and promote sound and effective risk management and appropriate culture and behavioural performance, and do not encourage risk-taking that exceeds the risk appetite of the RFB or the RFB Sub-group;

- iii) ensure that the RFB or RFB Sub-group is not encouraged to bear any risk that would undermine its ability to comply with any ring-fencing obligation;
  - iv) ensure that performance targets are transparent, stretching and rigorously applied; and
  - v) ensure that levels of remuneration are sufficient to attract, retain and motivate executive Board members and other senior executives who are of the quality required to operate the RFB successfully.
- 2.7.3. Annually, the Committee will ensure that the remuneration policy, procedures and practices are subject to a central and independent review to assure that they (a) comply with all relevant remuneration-related regulations, and that (b) the procedures and activity of the Committee comply with the remuneration policy. The Committee will review any material issues arising from the review and ensure that any remedial actions are implemented on a timely basis.
- 2.7.4. The Committee will review the independence and effectiveness of the independent remuneration adviser on an annual basis.
- 2.7.5. The Committee will receive assurance that adequate information on remuneration policies and practices within the RFB Sub-group is provided to Banco Santander and/or HoldCo in a timely manner to ensure they can meet their regulatory obligations.
- 2.7.6. The Committee will provide assurances to the HoldCo Board Remuneration Committee that remuneration practices are aligned with the HoldCo Group remuneration framework principles.

## 2.8. External and Regulatory Reporting

- 2.8.1. The Committee shall review and approve all substantive remuneration-focused external and regulatory reporting. This will include:
- i) the annual Remuneration Policy Statement Questionnaire as required by the UK Regulators, and the Committee Chair will be available to meet with the UK Regulators to discuss regulatory submissions and related issues, relating to the RFB Sub-group. The approval of all other Remuneration Policy Statement submissions to the UK Regulators is delegated to the Committee Chair;
  - ii) the contents of the Directors' Remuneration Report to be included in the RFB's Annual Report and Accounts, taking advice to ensure compliance with applicable legislation and regulation as appropriate; and
  - iii) any other significant remuneration disclosures as required by regulation from time to time.

## 3. MEMBERS

- 3.1. The Committee shall comprise at least three members, all of whom shall be Independent Non-Executive Directors<sup>1</sup>, and at least one of whom shall be a designated PRA senior management function holder for the RFB<sup>2</sup>.

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<sup>1</sup> Independent Non-Executive Director ("INED") has the meaning set out at section D.2.(ii) (B) of the Santander UK Group Framework.

<sup>2</sup> The designated director (approved by the RFB Board from time to time in respect of Conflict Matters as defined by the Santander UK Corporate Governance Framework) cannot be an employee or director of any other member of the RFB's group, other than a ring-fenced affiliate or Santander UK Group Holdings plc.

- 3.2. Members of the Committee shall be appointed by the Board upon the recommendation of the Board Nomination and Governance Committee and in consultation with the Committee Chair.
- 3.3. Members of the Committee will collectively have appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities relevant to the alignment of the RFB Sub-group's remuneration arrangements with its risk and capital profiles.

#### **4. ATTENDEES**

- 4.1. Only the members of the Committee have the right to attend Committee meetings, but the other RFB Non-Executive Directors are entitled to observe any meetings at their discretion.
- 4.2. Standing attendees shall be the Board Chair, CEO, Company Secretary, Chief People Officer, Performance and Reward Director, Head of Performance and Reward and external advisers.
- 4.3. The Committee Chair retains the discretion to invite any other individual to attend for all or part of any meeting as a presenter or observer (subject to any conflicts of interests).

#### **5. CHAIR**

- 5.1. Upon the recommendation of the Board Nomination and Governance Committee, the Board shall appoint the Committee Chair who shall be an Independent Non-Executive Director.
- 5.2. In the absence of the Committee Chair, or in situations where the Committee Chair is precluded from chairing a meeting due to a conflict of interest, the remaining members present shall elect one of themselves to chair the meeting.
- 5.3. The Committee Chair 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 at the next scheduled Committee meeting and do not relate to the remuneration packages for the Board Chair, Executive Directors or Executive Committee members.

#### **6. QUORUM**

- 6.1. 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.

#### **7. AUTHORITY**

- 7.1. The Committee is a committee of the Board, from which it derives its authority and to which it regularly reports.<sup>3</sup>
- 7.2. The Committee may sub-delegate all or any of its responsibilities as it sees fit, including, without limitation, to a sub-committee established for a specific purpose or by delegating authority to the Chair or any other member.
- 7.3. The Committee is concerned with the business of the RFB Sub-group within the scope of its Terms of Reference and has the authority to obtain such information as it may require from any Director, officer or employee of the RFB Sub-group or the HoldCo Group.

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<sup>3</sup> The Committee has delegated authority from the Board to undertake the role and responsibilities prescribed in these terms of reference.

## **8. SECRETARY**

- 8.1. The Secretary of the Committee shall be a member of the Corporate Governance Office as agreed with the Committee Chair.

## **9. MINUTES**

- 9.1. The Committee Secretary shall minute the proceedings of Committee meetings, which shall be circulated promptly to all members of the Committee, once agreed by the Committee Chair (subject to any actual or potential conflicts of interest restricting such circulation).

## **10. NOTICE AND FREQUENCY OF MEETINGS**

- 10.1. The Committee shall meet at least four times a year at appropriate times as determined by the Committee Chair and otherwise as required. Meetings of the Committee and the HoldCo Board Remuneration Committee may be held concurrently where it is considered appropriate to do so.
- 10.2. Meetings of the Committee shall be convened by the Committee Secretary at the request of the Committee Chair or any of the Committee's members.
- 10.3. 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, not later than five business days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **11. ADVICE**

- 11.1. The Committee is authorised to obtain any information it requires from any employee of the HoldCo Group in order to perform its duties and, at the RFB's expense, obtain external 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.

## **12. GENERAL MATTERS**

- 12.1. The Committee shall:
  - 12.1.1. Have access to sufficient resources to carry out its duties, including access to external advisers and the Corporate Governance Office for assistance as and when required, and shall ensure the proper involvement of such functions as are necessary to ensure that the Committee is appropriately advised.
  - 12.1.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
  - 12.1.3. Give due regard to relevant legislation, regulation, best practice guidance, industry practice and developing trends affecting issues within the Committee's remit.
  - 12.1.4. Oversee any investigation of activities which are within its Terms of Reference.
  - 12.1.5. Ensure that a periodic evaluation of the Committee's own performance is carried out.
  - 12.1.6. Promote the success of the RFB Sub-group for the benefit of its shareholders, whilst having due regard to its wider stakeholder group (including employees, regulators, communities, customers, and suppliers), as set out in the Companies Act 2006. During its deliberations, the

Committee shall consider the long-term consequences of its decisions, and the need to act to deliver good customer outcomes, foster good relationships, demonstrate acts of fairness, maintain a reputation of high standards of business conduct and demonstrate mindfulness of environmental impacts.

- 12.1.7. Work and liaise as necessary with all other committees of the Board. Where there is a perceived overlap of responsibilities, the respective committee chairs shall have discretion to determine the most appropriate committee to fulfil the obligation.

### **13. REPORTING RESPONSIBILITIES**

- 13.1. The Committee Chair (or their elected nominee) shall report to the Board on the Committee's proceedings after each meeting.
- 13.2. The Committee shall, where appropriate, make recommendations to the Board on any area within its remit.

### **14. CHANGES TO THE TERMS OF REFERENCE**

- 14.1. These Terms of Reference shall be reviewed periodically and, at a minimum every two years by the Committee and any proposed amendments will be recommended to the Board for approval.