

Corporate Governance

Continuous reinforcement of the internal governance structure and model



Bankinter has traditionally been known as an organisation with a strong commitment to sustainability; i.e. responsible performance in all its areas of its operations. In terms of its internal governance, this translates into a robust corporate governance model, formed of the following pillars:

- Its Board and Commissions are designed and composed in such a way as to guarantee diversity and effectiveness;
- Robust internal decision-making processes, and
- A clear corporate structure, with well-defined lines of responsibility to ensure that risks are duly identified, assessed and managed.

Under the board's leadership and oversight, this model helps achieve the core objective of long-term value creation for all stakeholders: shareholders, customers, employees, etc., and the environment and society in general.

Within this framework, various innovations and improvements were implemented during the 2021 financial year.

Changes in governing bodies

In 2021, Bankinter continued to strengthen the composition and effectiveness of the board of directors and board committees, as described below:

Board of Directors

Cristina García-Peri was appointed independent director (with 99.012% of votes in favour) in replacement of Rafael Mateu de Ros Cerezo, who stepped down from his position after completing the maximum 12-year term of office as independent director without being proposed for re-election at the Annual General Meeting held in April 2021.

In the appointment of Ms. García-Peri as candidate, the board highlighted her 'vast experience in the new and emerging area of ESG goals, which is of particular relevance for stakeholders, and her active role in several international corporate social responsibility forums, which would help Bankinter anticipate trends and guidelines in this area.'

Therefore, a total of 11 directors now sit on the board of directors, distributed among the following categories:

six (6) independent external directors;

two (2) executive directors;

two (2) external proprietary directors; and

one (1) 'Other external director'.

Therefore, the board of directors still has both the necessary size to favour its efficient operation, participation by all the directors and agility in decision-making, and a structure that reflects the existing proportion between the capital of the company, represented by proprietary directors, and the rest of the capital, by having 54% independent directors. Bankinter adheres to national and international best practices and recommendations.

With regard to gender diversity, Bankinter reached the goal of 30% representation on the board of directors for the least represented gender in 2015. Nevertheless, in all the selection processes for new members, the board followed objective criteria free from any restraints or biases that could limit the access of women to board positions.

Following the amendment of recommendation 15 of the Good Governance Code of Listed Companies in 2020, and considering the size of Bankinter's board of directors, the board of directors, on the recommendation of the appointments, sustainability and corporate governance committee, agreed on a new target for the representation for women (currently the least represented gender) on the board of 40% to be reached by the end of 2022, in line with the aforementioned recommendation. Female directors currently represent 45.5% of the total members of the board, with four independent external female directors and one female executive director, who is also the chief executive. This marks compliance with another target by Bankinter before the deadline.

Moreover, as regards diversity, the members of Bankinter's board of directors overall possess sufficient and appropriate knowledge and experience to cover all the areas necessary for running the entity's operations, including: a) the business and the key related risks; b) each of the material lines of business; c) the relevant areas of industry/ financial expertise, including financial and capital markets, solvency and modelling; d) accounting and financial reporting; e) risk management, compliance and internal audit; f) information technology and security; g) local and regional markets; h) legal and regulatory environment; i) management skills and leadership experience; and j) strategic planning capability.

As a result, the current composition of Bankinter's board of directors fully complies with the diversity targets established by the board regarding national and international knowledge and experience, gender and age.

Board committees

Bankinter's board committees underwent considerable changes in both composition and the distribution of their advisory powers in 2021.

▪ Remit

Firstly, the risk committee was attributed to remit until then of the audit committee regarding the compliance function. This amendment arose from unification, at the end of December 2020, of the second lines of defence in the new Corporate Control and Compliance division, integrated into the Bank's organisation through the Risk division in line with best practices in compliance. Accordingly, the risk committee changed its name to the risk and compliance committee. It also took on a more holistic view of the risks arising from the operations of the Bank and Group companies, without prejudice to the competences still attributed to the audit committee. This was included in the committee's rules and regulations, thereby completing the internal regulations of the board committees after approval of the rules and regulations of the audit committee in 2019 and of the rules and regulations of the remuneration committee and of the appointments, sustainability and corporate governance committee in 2020.

Percentage of women

45.5%



Independent directors on the Board of Directors

54%

2021 milestones

Interviews

Results

Businesses

Risks

Innovation

Governance

Sustainability

Individuals

Appendix

Secondly, given the importance Bankinter attaches to environmental, social and governance (ESG) goals, as set out in its strategic sustainability plan, which entails 17 strategic lines of action divided into the three ESG dimensions, the monitoring and oversight function of the relevant committee was strengthened. It is now called the appointments, sustainability and corporate governance committee. Bankinter decided to keep the same number of committees, but reinforce the monitoring role of this committee, while ensuring its composition is aligned with this priority, as explained below.

- Composition

Regarding the composition of committees, the board of directors made changes in 2021 with the aim of establishing a more even number of members across all the committees, enriching their diversity of knowledge and experience, maximising where possible the analysis and critical judgement they exercise in the matters submitted to them, and increasing or maintaining the ratio of independents.

Annual General Meeting

The Annual General Meeting was held remotely for the second year in a row and amendments were made to the corporate by-laws and the rules and regulations of the Annual General Meeting.

In 2021, in view of how health crisis caused by COVID-19 was unfolding, the board of directors decided that Bankinter's Annual General Meeting would be held exclusively through remote means.

The health and social crisis caused by COVID-19 illustrated the importance and effectiveness of remote means of communication, whether to purchase products or services, carry out financial transactions, exercise rights, receive training or simply to interact with other people. Corporate regulations were also impacted, such that the temporary regulations adopted in 2020 to cope with the consequences of the pandemic, which as an exception allowed the general meetings to be held exclusively through remote means in both 2020 and 2021, are now permanent. Prevailing legislation now allows general meetings to be held exclusively through remote means.

To do so, Bankinter needed to amend the corporate by-laws to allow meetings to be held exclusively through remote means. This possibility gives the Bank greater flexibility, which can be very useful when it is advisable that these meetings take place in remote format, without depending on the adoption of exceptional legislative measures.

As a result, at the Annual General Meeting held on 21 April 2021, approval was given to amend the corporate by-laws and the rules and regulations of the Annual General Meeting accordingly to regulate the possibility of holding meetings exclusively through remote means, making the necessary provisions to guarantee that shareholders can attend and effectively exercise of all their rights at meetings called and held using this format.

In 2022, the board of directors decided to call the meeting and implement a system of physical attendance and the option of remote attendance by any shareholders wishing to attend this way, thereby facilitating their participation at all times.

Fluid dialogue with investors and proxy advisors. Communication and engagement policies.

Bankinter, in a bid to further the corporate interest and consider the legitimate interests of shareholders, investors and other stakeholders, has a policy for communication with shareholders, institutional investors and proxy advisors, according to which it implements a communication and engagement strategy, receiving feedback on their priorities and criteria regarding, e.g. matters related to the Entity's corporate governance.

Reinforcement of the Group's internal governance model

Internal rules and regulations are a pillar of Bankinter's robust corporate governance system. They comprise frameworks, policies and procedures that govern the various areas of its corporate life and activity in accordance with applicable external regulations and best practices. In 2021, this regulatory pyramid was articulated in the Bankinter Group corporate governance policy. This ensures that the internal rules and regulations have a coherent and efficient structure at all times, with clear and well-defined scopes of application and powers of proposal, approval and monitoring, thereby facilitating the board's oversight function.

In terms of strengthening the internal governance model, the Corporate Control and Compliance function was set up in 2021, bringing together the so-called second lines of defence in the areas of risk, financial control, regulatory compliance and anti-money laundering and terrorist financing. The Corporate Control and Compliance division performs the function, reporting directly to the risk and compliance committee. It is integrated into the Entity's general organisation through the Risk division. By creating this corporate function, Bankinter stepped up its commitment to the proper performance of all the Group's activities. This objective requires second-line controls, without ignoring the need for streamlining and

2021 milestones

Interviews

Results

Businesses

Risks

Innovation

Governance

Sustainability

Individuals

Appendix

full coordination across all activities to avoid overlaps while providing a comprehensive and cross-cutting view of the main components of operational risk.

Meanwhile, as regards relations with its subsidiaries, Bankinter has a sound approach for coordinating its internal governance systems. According to the Bankinter Group corporate governance policy, the board of directors shall establish the appropriate guidelines to ensure information is exchanged as required for the strategic coordination of the activities carried out by the various Group companies, without undermining their individual independent decision-making authority and the legal requirements imposed on their directors and on the Bank by law and deriving from the corporate governance system, in the interests of the companies comprising the Group.

Under this framework, Bankinter made progress in 2021 adapting the internal corporate governance rules and regulations of subsidiaries to the general policies approved for the Group. This guarantees uniformity in the application of the Group's corporate governance principles, while respecting the unique features of their respective areas of operation and the principle of proportionality.

Lastly, under the corporate governance policy, Bankinter, S.A.'s board committees continued to play an important role in coordinating and overseeing Bankinter Group companies on those matters that fall within their remits, helping to maintaining transparency and simplicity within the Group's organisation.

Bankinter, S.A.'s board committees are called upon to carry out supervisory work at Group companies that do not have their own committees due to their relatively small size or composition, but still require supervision on matters that fall within the committees' remits. This is the case of the functions exercised by the remuneration committee and the appointments, sustainability and corporate governance committee of Bankinter's parent company with regard to Bankinter Luxembourg, Bankinter Asset Management and the companies comprising the Consumer Group, of which Bankinter Consumer Finance is the parent.

The duties performed by each of these committees for the Group in 2021 will be detailed in the committees' activity reports, which will be made available to shareholders in the information prior to the General Meeting.

Priorities for 2022

Priorities in the ongoing improvement of Bankinter's internal governance system in 2022 include: monitoring the sustainability strategy and achievement of ESG goals, stakeholder engagement and the continuous alignment of Group policies with any best practices identified at any given time. The overall aim is to continue preserving the Bank's and the Group's long-term sustainability. Efforts will also continue to foster cooperation and coordination of the board committees to ensure that sustainability-related threats and opportunities are identified and managed, and that appropriate control procedures are in place.

2021 milestones

Interviews

Results

Businesses

Risks

Innovation

Governance

Sustainability

Individuals

Appendix