

RA Compensation Proposal:

- Qualitative and Quantitative Risk Appetite statements are the embodiment of Santander US' strategic goals, and represent the binding constraints inside which strategic plans are established and management is expected to operate in order to achieve its goals.
- Including Risk Appetite in executive compensation scorecards increases accountability for following the strategic plan, making business decisions based on risk as well as returns, and helping to ensure the business operates in control.

Scorecard: Both Quantitative and Qualitative Components

- Quantitative Component gives you an objective number to reduce compensation
- Qualitative Component gives you a way to increase or decrease the quantitative value based on how they handled proactive management of planning, expected processes, escalations and whether it was inside or outside of their control

Assume RA = 5% of Scorecard	Quantitative	Qualitative
Example # over 12 month performance cycle	# Metrics Amber Trigger over 12 month performance cycle Each Trigger = .25 reduction in comp (this would allow 20 Triggers in a 12 month cycle before 5% is eliminated)	Qualitative adjustment to increase or decrease % of compensation based on: <ol style="list-style-type: none">1. Did they test their strategic plan against the RAS2. Did they follow the NPBA process3. Did they actively identify material risks4. Did they remediate risks in an expeditious fashion5. Did they ignore lower level limits, KRIs and KPIs, that if treated properly would have proactively kept the trigger/limit breach from occurring6. Specific to RAS, did they immediately escalate the trigger/limit breach, provide an action plan provided within the 10 day SLA, get it in front of the appropriate committee, and did they follow their action plan7. Was it inside or outside of their control
	# Metrics Red Breach over 12 month performance cycle Each Breach = 1% reduction in comp (this would allow 5 Breaches in a 12 month cycle before 5% is eliminated)	

- Each metric could be weighted if you wanted more emphasis on one versus the other
- Can change the rate of comp reduction for Amber and Red breaches (could use .5 for amber instead of .25 etc). By doing this you increase or decrease your level of tolerance for amber and red breaches (# breaches that can occur before the 5% is completely eliminated).
- Determine who you want to apply this to: Entity / SHUSA, # levels deep, type of management
- Metrics that hit scorecards should be metrics inside that person's control
- Need to scale number of total amber triggers and red breaches based on the number of applicable metrics.