

Corporate Governance

BBVA Corporate Governance System

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BBVA has a solid and effective **corporate governance system**, which is adapted to the reality of the Bank and its circumstances and needs, and allows for the appropriate management and oversight of the Entity (the Corporate Governance System).

The BBVA Corporate Governance System is in constant improvement and evolution, in order to be aligned with the strategy and corporate culture and values of the Bank, as well as with best practices and recommendations on corporate governance; taking into consideration applicable regulations, the outcome of supervisory actions and expectations, and the different points of view arising from direct contact and dialogue with shareholders, investors and proxy advisors.

BBVA Corporate Governance structure

The BBVA Corporate Governance System has been shaped over time based on the following **pillars**:



An appropriate **composition of the Board and its Committees** ("Corporate Bodies")



A clear **distribution of functions** between the Board of Directors and its Committees, and between these and Senior Management



A sound **decision-making process** and a robust **informational model**



A complete **monitoring, oversight and control system** of the management of the Entity

As a result, the BBVA Corporate Governance System has the following **structure**:

Shareholders

> Oversight of the Board and **final say** on relevant matters

Board of Directors

> Unitary Board with **management** and **oversight** roles (one-tier board)

Board Committees

> Specialized **Board Committees** to assist the Board in the performance of its duties

Executive

Audit and Compliance

Risk

Remuneration

Appointments

Technology and Cybersecurity

Senior Management

The BBVA Corporate Governance System is expressed in different documents, internal regulations, procedures and practices that are aligned with the strategy and needs of the Entity, the regulatory and supervisory context and best market practices. Specifically, the Bank's Corporate Governance

System is laid down in the Bylaws, the Regulations of the General Shareholders' Meeting, in Regulations of the Board of Directors; and, for certain Board Committees, their own regulations. All of these documents are available on the Bank's corporate website (www.bbva.com).

Shareholders

Considering the Bank's shareholding structure, the relationship model between BBVA and its shareholders is based on the following pillars:

| | | |
|----|--|---|
| 01 | General Meeting | <ul style="list-style-type: none"> Has the power to decide on matters of utmost relevance for the Bank |
| 02 | "One share, one vote" principle | <ul style="list-style-type: none"> There are no limitations on the exercise of shareholders' rights or the acquisition or transfer of shares Equal treatment and same rights for all shareholders in the same position Based on the principles of transparency, veracity, immediacy and consistency in the disclosure of information Encourages participation and exercise of the right to vote in General Shareholders' Meetings |
| 03 | Policy on shareholders and investors' communication and contact | <ul style="list-style-type: none"> Transparency and disclosure of information for the appropriate exercise of shareholders' rights Active engagement policy with both institutional and retail shareholders <p>This Policy, approved by the Board of Directors and which specifies the channels and means of communication and contacts with the Bank, is published on the BBVA corporate website.</p> |

Board of Directors

In line with Spanish regulations and market practice, BBVA has a "one-tier" board system, which entails the existence of a unique collegiate body, the Board of Directors, which is collectively responsible for the highest functions of management of the Entity (definition and approval of decisions) and of oversight and control of the management (monitoring and review of proper implementation), all with the purpose of promoting the corporate interest.

Functions

The most relevant **functions**, set out in the [Regulations of the Board of Directors](#), are related to the following matters:

- Strategy and general policies
- Control and risk management (RAF)
- Annual budgets
- Capital and liquidity
- Strategic transactions
- Remuneration policy
- Financial and accounting information
- Appointment and removal of Senior Management
- Oversight of Senior Management
- Internal organization and annual self-assessment

The fact that these functions are reserved to the Board, without the possibility of delegating them, is a key element of **balance and control of management**, ensuring that the most relevant matters affecting the Entity are analysed and decided by the Board of Directors.

The approval of the overall strategy of the Group is one of the

functions assigned to the Board of Directors. Thus, the Board of Directors defines and approves the **Strategic Plan** of BBVA Group, which includes the strategy to be followed by the Entity in the medium- and long-term, defining the guidelines through which the Group aims to reach its goals. For this purpose, the Strategic Plan is integrated in the decision-making process for the core strategic-prospective decisions regarding the management and control of the Group, such as (i) the risk appetite framework, (ii) the annual budget, (iii) the capital and liquidity self-assessment exercises, and (iv) the Group's recovery plan; all with the purpose of creating long-term value.

Composition

The composition of the Board of Directors is one of the key elements of the BBVA Corporate Governance System and, as such, must allow Corporate Bodies to carry out their management and oversight functions with different perspectives and opinions, ensuring the debate, analysis and challenge of the proposals submitted for their consideration, along with the necessary consensus in the decision-making.

■ Board refreshment process

On an on-going basis, the Bank undertakes a well-**ordered refreshment** process of its Corporate Bodies, in which their needs are analysed and the most suitable candidates to be appointed are identified, ensuring the appropriate composition of the Board at any given time.

This process involves the Appointments Committee periodically analysing the structure, size and composition of the Board; considering the diversity of gender, knowledge, skills and experience required; the results of the assessment of the status of directors, their independent judgment and suitability, as well as the dedication required for the appropriate performance of the role; all of this according

to the needs of the Corporate Bodies and taking into consideration the **Policy on the selection, appointment, rotation and diversity** of the Board of Directors, approved by this body in 2016.

As a result of the Board refreshment process, the General Shareholders' Meeting held in 2018 approved the re-election and appointment of different directors, which allowed: (i) to complete the knowledge and experience of the Corporate Bodies, especially in the areas of finance and regulation and supervision of the banking sector, as well as technology, and (ii) to increase diversity in terms of gender and international experience.

Additionally, in 2018, the Board of Directors approved key changes regarding executive directors, resulting in a new **Group Executive Chairman** and a new **Chief Executive Officer** being appointed, in execution of their respective succession plans, approved by the Board.

■ Independence

In 2018, upon approval by the General Shareholders' Meeting of the proposals for the re-election and appointment of the corresponding directors, Board independence levels have been reinforced, achieving a number of **independent directors** that exceeds, at the date of this document, the **50%** target set out in the Policy. This high level of independence, both on the Board and on Committees, promotes the appropriate performance of management, oversight and control functions, as well as objective and independent judgment in the decisions adopted by the Corporate Bodies.

■ Diversity

The Board of Directors has a diverse composition, combining directors with extensive experience and knowledge in banking and finance-related matters, with profiles that have experience and knowledge in various areas of interest to the Bank and its Group, such as auditing, the legal and academic fields, multinational companies, digital businesses and technology, both in Spain and internationally.

In addition, in its on-going refreshment process year after year, the Board has been reinforcing **diversity of gender, knowledge, experience and nationality**, incorporating new members that allow to adapt the Board's composition to the needs of the Group at all times.

This enables the Board as a whole to have an appropriate balance in its composition and suitable knowledge of the Bank and the Group's environment, activities, strategy and risks, contributing to a better performance of its functions.

■ Suitability and dedication

BBVA directors have the necessary suitability to hold their positions, the required skills and the availability to devote the time required to fulfil their responsibilities. They are also subject to a strict system of incompatibilities and limitations established by applicable regulations, which includes, among other aspects, that they may only hold up to four non-executive directorships or one executive and two non-executive directorships.

The structure and operation of the BBVA Corporate Governance System involves a high level of activity of the Board and its Committees and, therefore, high dedication by directors as regards both the number of meetings and their preparation.

■ Directors' training

In order to assist directors in acquiring, updating and reinforcing their knowledge and skills for a better performance of their duties, the Board of Directors has several initiatives in place for the training of its members. These ensure a proper understanding of all the issues submitted for consideration of the Bank's Corporate Bodies, with special focus on topics related to the banking business and technology.

■ Checks and balances

The Board composition allows for the implementation of a system for the distribution of functions among the different Corporate Bodies and its members, to ensure appropriate checks & balances at all times and, accordingly, avoid the concentration of powers in one person or body.

In this regard, the BBVA Board of Directors has an Executive Chairman and a Chief Executive Officer. Both have different functions and responsibilities, which ensure appropriate oversight and control of management by the Corporate Bodies, as well as drive the Bank's strategy from the executive level throughout the entire Bank. Moreover, to strengthen these checks and balances, the Board of Directors has appointed, among the independent directors, a Lead Director, who has all the functions conferred both by law and by good governance recommendations, following best national and international practices.

This checks & balances structure was revised in 2018 within the framework of the approval of the succession plans for the Chairman and for the Chief Executive Officer, establishing a **direct report** from the Chief Executive Officer to the Board (thus eliminating the report to the Chairman) and a new distribution of functions among them.

Additionally, in the framework of these changes, the Board of Directors approved a new organizational structure, which involved, among other aspects, the reinforcement of the **independence** of the internal control areas, establishing

a direct report from the respective heads to the Board of Directors through their corresponding Committees.

Board Committees

To ensure a better performance of its functions through a suitable decision-making process, the BBVA Board of Directors has established **specific Committees** that assist it in matters falling within their remit, with a coordinated working system among them.

These Committees are essential to ensure the **correct discharge of the management oversight and control functions** of the Board, on the basis of a system that guarantees full independence from the executive level, and therefore strengthening the checks & balances structure of BBVA Corporate Governance System.

The Board of Directors has set up six specific Committees with broad and relevant functions: the Executive Committee, the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee, the Appointments Committee and the Technology and Cybersecurity Committee.

These Committees have a clear allocation of functions, both in the Regulations of the Board of Directors and, where applicable, in their specific Regulations, and have the necessary resources for their operation, free access to the Group's Senior Management and the ability to engage external advisors when deemed necessary.

The **Executive Committee**, as delegated body, performs both management functions and oversight and control functions. The rest of the Committees assist the Board in the performance of control and oversight functions, as well as the analysis of the decisions that correspond to them.

As a result, these Committees contribute to a suitable decision-making process, analysing in detail the proposals submitted for their consideration and challenging the approaches of the Senior Management through the direct interaction with them.

Decision-making process of the corporate bodies and informational model

The operation of BBVA's Corporate Bodies is based on a sound decision-making process, which is in constant evolution, and which involves the interaction among Corporate Bodies and with the Bank's Senior Management, integrating the work carried out in the Committees and in the Board of Directors. This decision-making process entails the involvement of the Board Committees in matters falling within their remit, reinforcing the analysis and review of the matters submitted for consideration of the Corporate Bodies.

Key features of the decision-making process of corporate bodies

- In general, the Board Committees analyse in detail matters that fall within their remit prior to their submission to the Board of Directors, and perform an in-depth review of the issues submitted by Senior Management. This ensures that proposals to be submitted to the Board include the opinions, indications and requirements that may arise from this analysis and discussion process and that these are in line with the strategies and policies approved by the Board of Directors.
- Following analysis by the different Committees, the proposals are submitted to the Board for final approval and decision.
- Once the corresponding resolution has been adopted by the relevant corporate body, it delegates the implementation of the decisions to the Senior Management in charge of the relevant areas, which have the appropriate oversight and control systems by Corporate Bodies.

Likewise, as a key element of the decision-making process, BBVA also has an **information model** for the Corporate Bodies that allows decisions to be made based on sufficient, complete and comprehensive information. This model contributes to ensuring that all the issues submitted to the Corporate Bodies are analysed from all perspectives by the specialist Committees and that the Board adopts decisions based on complete and suitable information.

Example of the decision-making process in BBVA



Oversight, control and monitoring system

The BBVA Corporate Governance System incorporates an oversight and monitoring system of the decisions adopted by the Corporate Bodies in the performance of their functions.

As a result, once the corresponding decisions have been adopted, the Board of Directors assigns the responsibility for their execution and implementation to the corresponding executive areas and performs general oversight and control functions over the Entity and of the implementation of the Board's decisions by the Senior Management, for which it relies on its different Committees. To perform these oversight functions, the Senior Management may attend, on a regular basis, meetings of the Corporate Bodies. This allows not only the oversight and control of their actions, but also the dissemination of the corporate culture and strategy from the Corporate Bodies to the rest of the Bank.

These monitoring, oversight and control functions performed directly by the Board of Directors and, in a more specific and detailed fashion, by its different Committees, combined with management functions, provide the Board with a comprehensive view of the Bank's position and businesses and of the work carried out by the Senior Management, which, in turn, allows to adopt the decisions deemed appropriate at any given time.

Self-assessment of performance of Corporate Bodies

The **quality and efficiency** of the performance of the Board of Directors and its Committees is assessed annually by the Board through a process directed and coordinated by the Chairman of the Board and the chairs of the Committees. This assessment is based on the reports submitted by the respective chairs of the Committees, which include a description of the activities carried out by the Committees throughout the year in the performance of the functions assigned.

This annual self-assessment process is a core element in the analysis of the efficiency of the BBVA Corporate Governance System. It is conducted by the Board of Directors on an ongoing basis throughout the year and ensures the Board's proper performance. Accordingly, it allows for a continuous evolution of the System to adapt it to the needs of the Corporate Bodies at any time, in accordance with the circumstances that may affect the Entity and its environment.

For more information in this regard, please see the document "**BBVA Corporate Governance Overview 2018**", available on the Bank's [website](#).