

Corporate Governance

BBVA Corporate Governance System

Banco Bilbao Vizcaya Argentaria S.A. (“BBVA”, the “Company” or the “Bank”) has a **corporate governance system** composed of a set of principles, rules and elements which govern the relationships between the Bank, its management, its shareholders and other stakeholders, allowing for the proper management and oversight of the Company (the “Corporate Governance System”).

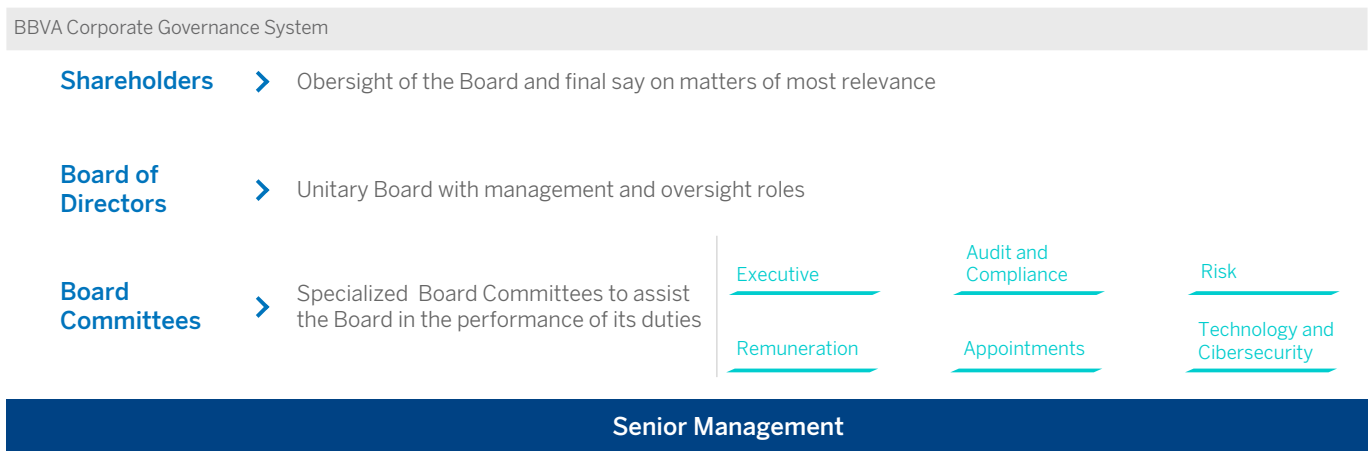
BBVA Corporate Governance System has been designed taking into consideration the reality of the Bank, its circumstances and its needs, including the strategy and corporate culture; the different points of view arising from the contact and dialogue with shareholders, investors, supervisors and proxy advisors; as well as best practices and recommendations on corporate governance and applicable regulations.

Thus, BBVA Corporate Governance System has been shaped over time based on the following **principles**:

1. An appropriate **composition of its corporate bodies**.
2. A clear **distribution of functions** between the Board of Directors and its Committees, and between these and the Senior Management.
3. A sound **decision-making process** and a robust **informational model**.
4. A complete **monitoring, oversight and control system** of the management of the Company.

BBVA Corporate Governance System is also expressed in different documents, internal regulations and procedures, such as the Bylaws, the Regulations of the General Shareholders’ Meeting, the Regulations of the Board of Directors; and, for certain Board Committees, in their own regulations. All of these documents are available on the Bank’s corporate website (www.bbva.com).

BBVA Corporate Governance System has the following organizational **structure**:



Shareholders

Considering BBVA's shareholding structure, which has an important presence of retail and institutional shareholders,

both national and international, 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 Company
02	"One share, one vote" principle	<ul style="list-style-type: none"> • There are no limitations on the exercise of shareholders' rights or on the acquisition or transfer of shares • Equal treatment and same rights for all shareholders in the same position
03	Policy on shareholders and investors' communication and contact	<ul style="list-style-type: none"> • Based on the principles of transparency, veracity, immediacy and consistency in disclosure of information • Encourages participation and exercise of the right to vote in General Shareholders' Meetings • Transparency and disclosure of information for the appropriate exercise of shareholders' rights • Development of an 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 Company (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** 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 powers 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 Company are analyzed and decided by the Board of Directors, which also carries out general oversight functions over the Bank and its Group.

The approval of the Group's overall strategy 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 Company in the medium- and long-term, defining the guidelines through which the Group aims to reach its goals. The Board also defines and approves core strategic-prospective decisions, which also allows it to define the guidelines for behavior, values and principles that govern the Company, setting the tone at the top and promoting the Group's corporate culture from the highest level. This ensures that these guidelines are transmitted through the entire organization and promotes conduct based on the principles of transparency and business ethics.

Composition

The composition of the Board of Directors is one of the key elements of 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 critical revision of the proposals submitted for their consideration, along with the necessary consensus in the decision-making.

■ Policy on the selection, appointment, rotation and diversity of the members of the Board of Directors

BBVA has a Policy on the selection, appointment, rotation and diversity of the Board of Directors, available on the corporate [website](#), which outlines the principles and procedures for the selection, appointment and rotation of the Bank's directors, as well as the necessary requirements to be fulfilled in order to hold the position of director at BBVA.

Principles of the Policy on the selection, appointment, rotation and diversity

- Suitable composition of corporate bodies to ensure their adequate performance in the best corporate interest
- Promotion of diversity of experience, knowledge, skills and gender
- Absence of biases that may entail discrimination in the composition, with a target of 30% female directors for 2020
- Balance between categories of directors, with at least 50% of independent directors
- Progressive and continuous refreshment of the Board
- Directors' suitability, dedication and absence of incompatibilities
- Key role of the Appointments Committee in the selection, appointment and rotation process of the Board

■ Board's refreshment process

To ensure the appropriate composition of the Board at all times, the Bank undertakes a **well-ordered refreshment process** of its corporate bodies, based on an adequate rotation planning for their members. This process is aimed at achieving the objectives established in the aforementioned Policy and involves identifying the needs of the corporate bodies and thus, the most suitable candidates to be appointed at any given time.

This process begins with BBVA's Appointments Committee periodically analyzing: (i) the structure, size and composition of the Board; (ii) its adequacy to the needs of the corporate bodies; and (iii) the existing knowledge, skills and experience. This allows identifying and assessing potential changes, whether necessary or advisable, in the composition of the corporate bodies, and initiating, where the Committee deems it appropriate, the candidate identification and selection processes to be proposed to the General Meeting as new members of the Board of Directors.

This allows the Board of Directors and its Committees to have an appropriate composition that is always adapted to their needs, and can thus perform their functions effectively. The composition of the Board and the refreshment process are likewise aligned with the Bank's **strategy**, enabling the progress towards the Group's current **digital transformation** process.

■ Independence

During **2017**, the Appointments Committee, in exercise of its functions and within the Board's refreshment process, has initiated several selection processes to increase the level of independence of the Board, aiming at reaching a number of independent directors that represents at least half of the total, as set out in the proposals submitted to the next General Shareholders' Meeting of the Bank under item 2 of the agenda. As a result, should these proposals be approved, the Board of Directors will comprise fifteen directors and over 50% of independent directors.

■ Diversity

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

During the Board's refreshment process, the Appointments Committee also ensures the promotion of **diversity**, both in gender (with the target of reaching 30% female directors in 2020) and **experience, knowledge and skills**, in line with the Policy on the selection, appointment, rotation and diversity of the Board of Directors.

■ Suitability and dedication

The members of the Board of Directors have the necessary suitability, repute, skills, experience and necessary training to hold their directorships, as well as availability and dedication required to perform their functions. BBVA directors are also subject to a strict system of incompatibilities and limitations established by the applicable regulation, which includes, among other aspects, that they may only hold up to four non-executive directorships or one executive and two non-executive directorships.

All directors are highly dedicated and they participate in the deliberations, discussions and debates on matters submitted for their consideration. In **2017**, the level of attendance in Board meetings was 99%.

Within the framework of the Board's **refreshment process**, in 2017 the Appointments Committee initiated different selection processes for directors aimed at reinforcing the level of diversity and independence in the Board, which has led to proposals for re-elections and appointments of directors to be submitted at the next General Shareholders' Meeting under item 2 of the agenda.

These selection processes have also been directed at selecting candidates who (i) complete the current knowledge and experience of the corporate bodies, especially in the areas of finance and technology, as well as (ii) increase diversity in terms of gender and international experience; taking into consideration in each process the time dedication considered necessary for the adequate performance of their functions as well as compliance with the incompatibilities requirements and conflicts of interest established in the Board's Regulations and in applicable law.

■ Training

Given the complexity and diversity of BBVA's businesses, and in order to assist directors in acquiring, updating, and reinforcing their knowledge and skills for the better performance of their duties, the Board of Directors has various initiatives in place for the training of its members. These are aimed at offering sufficient and relevant information on various matters, ensuring a proper understanding of all the issues submitted for consideration of the Bank's corporate bodies. This training plan is completed with the extensive information provided to BBVA directors at the ordinary meetings of the different corporate bodies.

■ Checks and balances

The Board's **composition** allows for the implementation of a system for the distribution of powers among its members, to ensure an appropriate balance of powers at all times and, accordingly, prevent the concentration of powers in one person or body.

In this regard, BBVA Board of Directors has an Executive Chairman and a Chief Executive Officer. Each role has specific functions assigned in the Bylaws and Regulations of the Board of Directors, ensuring the appropriate oversight and control of management by the corporate bodies, as well as driving the Bank's strategy from the executive level throughout the entire Company. Moreover, to strengthen the checks and balances, the Board of Directors has designated, among the independent directors, a Lead Director, who has all the functions conferred both by law and by good governance recommendations.

Board Committees

For a better performance of the management and oversight functions through a suitable decision-making process and to promote the checks and balances, BBVA Board of Directors has established **specific Committees** that assist it in matters falling within their remit, with a coordinated working system among them.

Thus, the Board of Directors has set up six specific Committees with broad and significant functions: the Executive

Committee, the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee, the Appointments Committee and the Technology and Cybersecurity Committee, which was created in 2016 and whose functions were strengthened in 2017.

The Board 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** performs both management functions and oversight and control functions. It is a delegated body of the Board of Directors aimed at assisting the Board in its general oversight role, specifically overseeing the running of the day-to-day business and monitoring the risks to which the Bank is or may be exposed. It also assists the Board in the adoption of decisions regarding those matters falling within the remit of the Board of Directors, provided that they do not constitute non-delegable powers under law.

The **Audit and Compliance Committee, the Risk Committee, the Remuneration Committee, the Appointments Committee and the Technology and Cybersecurity Committee** assist the Board in the performance of control and oversight functions, as well as the analysis of the decisions that correspond to them under the applicable regulations. In particular, the Technology and Cybersecurity Committee is a necessary support for the Board in the understanding and acknowledgment of the risks associated to technology and information systems related to the Group's activity, as well as the oversight and control of infrastructures and the technology and cybersecurity strategy.

These Committees help ensure that the oversight and control functions, as well as the day-to-day management of the Bank, are carried out thoroughly. The Committees also contribute to a suitable decision-making process, analyzing in detail the proposals submitted for 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

One of the principles of BBVA Corporate Governance System is to have a **suitable decision-making process**, which requires, *inter alia*, the **interaction among the corporate bodies**, and between corporate bodies with the Bank's Senior Management, integrating the work carried out in the Committees and the Board of Directors.

Key features of the decision-making process of corporate bodies

- In general, the Board Committees analyze in detail matters that fall within their remit and perform a critical and in-depth review of the issues submitted by Senior Management, for the adoption of the corresponding decisions prior to submission to the Board of Directors. This ensures that proposals to be submitted to the Board for consideration include the opinions, indications and requirements that arise from this analysis and discussion process and are in line with the strategies and policies approved by the Board of Directors.
- Following approval of the proposals by the various Committees, they 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 and development of the decisions, at both the Bank and Group level, to the Senior Management in charge of the relevant areas, which have the appropriate oversight and control systems by corporate bodies.

The joint work carried out by the Board of Directors and its Committees, in interaction with the Bank's Senior Management, safeguards an adequate analysis of the matters submitted for their consideration, through the analysis and critical review of the approaches and proposals submitted. It also strengthens the existing control environment at BBVA, through the monitoring and control of the adopted management decisions, which are implemented by the Senior Management.

Likewise, as a key element of the decision-making process, BBVA also has an **informational model** for the corporate bodies that allows decisions to be made based on sufficient, complete and comprehensive information that is available in advance.

In **2017**, the decision-making process regarding the Bank's strategic-prospective decisions has been strengthened, improving its coordination and coherence. In this regard, the Group's Strategic Plan integrates all core decisions for the Group's management and control, such as the definition of the risk appetite framework, the budget, the capital and liquidity self-assessment exercises and the Group's recovery plan.

Example of the decision-making process in BBVA



Oversight, control and monitoring system

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 competent senior managers and performs general oversight and control functions over the Company and of the development and implementation by the Senior Management of the Board's decisions, for which it relies on its various Committees.

To perform this oversight functions, the **Senior Management**, which is comprised of the heads of the Group's corresponding business, control and support areas, 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 Company.

These monitoring, oversight and control functions performed directly by the Board of Directors and, in a more specific and detailed way, by its various Committees, combined with their 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, adopting 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 evaluated annually by the Board through a process directed and coordinated by the Chairman of the Board and the chairs of the Committees, based on the reports submitted by the respective chairs of the Committees, which include a description of the work performed throughout the year in the performance of the functions assigned.

In order to **assess** the Board's performance, the Appointments Committee may engage, when necessary, renowned independent experts, which is generally carried out every three years. In this regard, international consultancy firms have assisted the Board in past self-assessments.

This annual self-assessment process is a core element in the analysis of the efficiency of BBVA Corporate Governance System. It is conducted by the Board of Directors on an ongoing basis throughout the year in the discharge of its duties 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 Company and its environment.

For further information in this regard, please see the document **BBVA Corporate Governance Overview 2017**, which is available at the Bank's [website](#).