

BBVA Corporate Governance Overview

**Banco Bilbao Vizcaya
Argentina, S.A.**

2019

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I. Executive summary

- Banco Bilbao Vizcaya Argentaria, S.A. (“**BBVA**”, the “**Bank**” or the “**Entity**”) has a **solid and effective Corporate Governance System**, which is constantly **improving and evolving** in order to be aligned, at all times, with the Group's strategy, culture and corporate values and in order to adapt to the reality of the Bank and its circumstances and needs.
- In order to provide information on the Bank's Corporate Governance System, BBVA makes this document available to its shareholders, investors and other stakeholders, in order to provide a **clear explanation of the most relevant aspects of BBVA Corporate Governance System**, as well as the main developments introduced during the financial year.
- In this respect, over the course of 2019, a **comprehensive analysis and review of the operation of the Bank's corporate governance structures were carried out**, which led to **significant developments in the Entity's Corporate Governance System**. These changes were implemented throughout 2019 in order to continue progressing in terms of alignment with international best practices and to adapt to the changes in a demanding environment, to changes that have occurred within the Entity and the challenges faced by the Bank.
- As a result, during 2019, BBVA's Board of Directors defined and promoted the implementation of a series of measures to further advance the development and strengthening of the Entity's corporate governance, which mainly translate into the following:
 1. Strengthening the **checks & balances system**, in particular, making progress in the separation of functions of the Chairman and the Chief Executive Officer, removing the reporting line from the Chief Executive Officer to the Chairman, as well as revising the duties of the Lead Director and appointing a Deputy Chair (*more information on page 15*);
 2. Redistributing the **functions** of the **Board Committees**, providing them with greater clarification and consistency (*more information in section 4*);
 3. Increasing the **independence of internal control functions**, which now are under the direct authority of the Board of Directors, reinforcing the oversight and control functions of the Corporate Bodies (*more information in section 6*); and
 4. Strengthening the **decision-making** process and the exercise of **oversight and control** functions (*more information in sections 5 and 6*); and
- These developments in the Corporate Governance System have contributed to **improving the operation of the Board and its Committees** (the “**Corporate Bodies**”) and have resulted in the approval of new regulations of the Board and its Committees in April 2019.

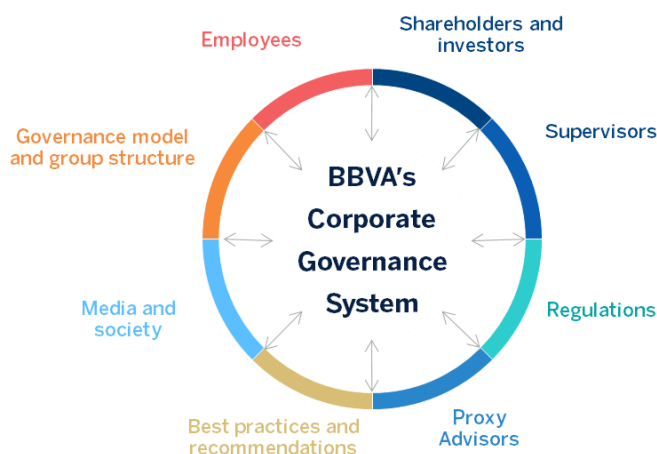
II. BBVA Corporate Governance System

1. Pillars and structure of BBVA Corporate Governance System

BBVA has a solid and effective Corporate Governance System, which is adapted to the reality of the Bank and allows for adequate management and oversight, guiding the structure and operation of the Corporate Bodies towards the corporate interest.

BBVA Corporate Governance System is constantly being improved and developed in order to be aligned, at all times, with the Group's strategy, culture and corporate values. This also ensures that it complies with all applicable regulations, best practices and recommendations, and takes into account the outcome of supervisory actions and expectations and the different views derived from direct contact and dialogue with shareholders, investors and proxy advisors.

Elements that impact BBVA Corporate Governance System



Corporate culture at BBVA

BBVA Corporate Governance System is fully aligned with the Entity's corporate culture, which has also evolved within the Group's transformation process.

Thus, in 2019 BBVA has continued to foster its corporate culture, which revolves around a set of values that are promoted from the highest level, setting the **tone from the top**, and are reflected in the day-to-day of all the Bank's employees.

These **Values** define BBVA's identity and are at the centre of its strategy, guiding the Group toward achieving its **Purpose**: "**to bring the age of opportunity to everyone**".



Customer comes first

- We are empathetic
- We have integrity
- We meet their needs



We think **big**

- We are ambitious
- We break the mold
- We amaze our customers

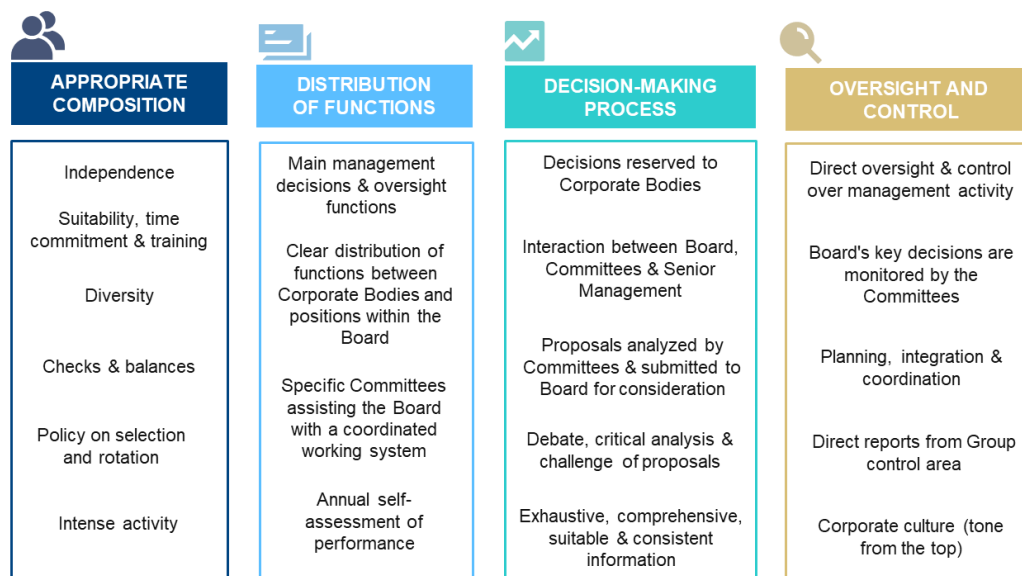


We are **one team**

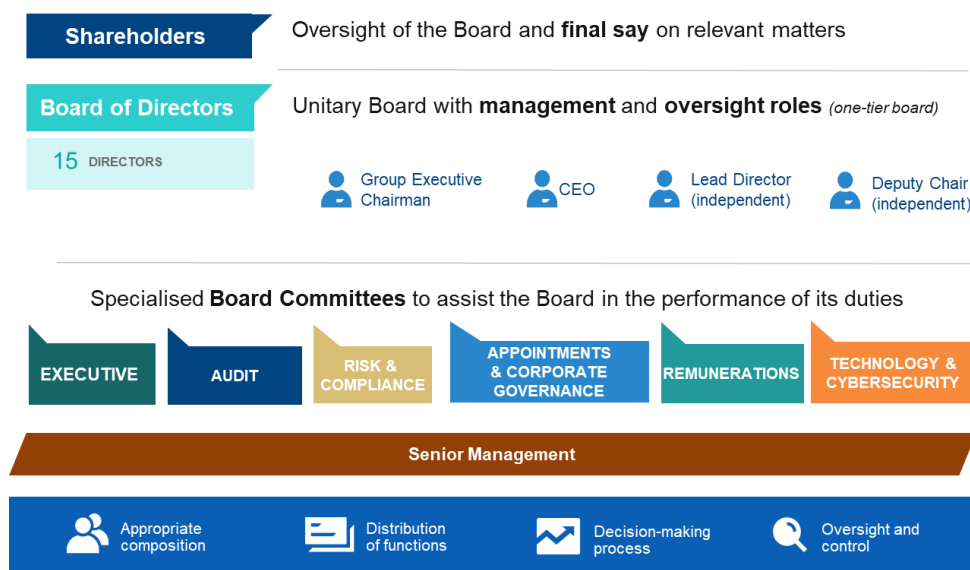
- I am committed
- I trust others
- I am BBVA

For more information on BBVA's Values, see BBVA Group's Consolidated Management Report for 2019.

The BBVA Corporate Governance System has taken shape over time on the basis of the following **pillars**:



Based on the foregoing, BBVA Corporate Governance System has the following **structure**:



BBVA Corporate Governance System is reflected in various corporate documents, internal rules, practices and procedures that are aligned with the Entity's strategy and needs, the regulatory and supervisory environment, and best market practices. In particular, it is contained in the Bylaws, the Regulations of the General Shareholders' Meeting, the Regulations of the Board of Directors and the Regulations of the Committees. All of these documents are available on the Bank's corporate website (www.bbva.com).

The **corporate website** also contains complete and up-to-date information regarding BBVA, in a specific section on corporate governance information, in addition to institutional, financial and economic information on the Group's activity and profits, along with any other content that is legally required and in line with applicable best practices and recommendations.

2. Shareholders

BBVA Group has a **diverse shareholding** base, both in terms of geography area and structure, of which international institutional stake represent over 50% of the share capital. The Bank's free float accounts for 100% and none of the shareholders has a controlling interest.

Taking into account its shareholding structure, the relationship model between BBVA and its shareholders is based on the following principles:

General Shareholders' Meeting	<ul style="list-style-type: none"> ■ BBVA's highest governing body ■ Decides on the matters of greatest importance to the Bank
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 rights for all shareholders in the same position
Policy for communication and interaction with shareholders and investors	<ul style="list-style-type: none"> ■ Approved by the Board of Directors and published on BBVA corporate website (link) ■ Based on the principles of transparency, veracity, immediacy and consistency in disclosing information ■ Encourages participation and exercise of the right to vote at General Shareholders' Meetings ■ Transparency and disclosure of information for appropriate exercise of shareholders' rights ■ Develops an active engagement policy with both institutional and retail shareholders
Regulations of the General Shareholders' Meeting	<ul style="list-style-type: none"> ■ Details main functions, organisation and operation ■ Available on the Bank's corporate website (link)

The Bank has been obtaining over the past years attendance quorums at its General Meetings that have exceeded 62%. In turn, shareholders have repeatedly shown significant support for the issues submitted for their consideration, in matters such as composition of the Board of Directors, annual financial statements, the remuneration policy or financial agreements.

Breakdown of the voting results in 2019 General Meeting:


Agenda of 2019 General Shareholders' Meeting	% favourable votes	% negative votes	% abstentions
1.1 Annual financial statements and management reports	99.34%	0.32%	0.33%
1.2 Non-financial information statement	99.07%	0.59%	0.34%
1.3 Allocation of profit	99.55%	0.34%	0.11%
1.4 Company management	93.05%	2.12%	4.83%
2.1 Re-appointment of Carlos Torres Vila	98.02%	1.84%	0.13%
2.2 Ratification of Onur Genç	98.72%	1.02%	0.26%
2.3 Re-appointment of Sunir Kumar Kapoor	98.96%	0.95%	0.08%
3 Approval of the Remuneration Policy for BBVA Directors	94.83%	4.96%	0.20%
4 Approval of the maximum variable remuneration level for a group of employees	98.18%	1.76%	0.06%
5 Delegation of powers	99.54%	0.40%	0.06%
6 Advisory vote on the Annual Report on the Remuneration of Directors	96.78%	3.01%	0.21%

3. Board of Directors

In line with Spanish regulation and market practice, BBVA has a one-tier board system. This entails the existence of a single collegiate body (the Board of Directors) that is collectively responsible for the highest functions of **managing** the Bank (decision-making) and **overseeing and controlling** the management (monitoring and overseeing proper implementation), with the purpose of promoting corporate interest.

3.1 Functions

BBVA Board of Directors combines its **oversight functions over the Bank and its Group**, with **management functions** of the Entity, in the form of adopting the most relevant decisions for the Group, delegating the day-to-day management of the business and the execution of the strategy to the executive area, except for those matters that cannot be delegated by law.

The most relevant functions, as set out in the Regulations of the Board of Directors ([link](#) ) , include, but are not limited to, the following matters:

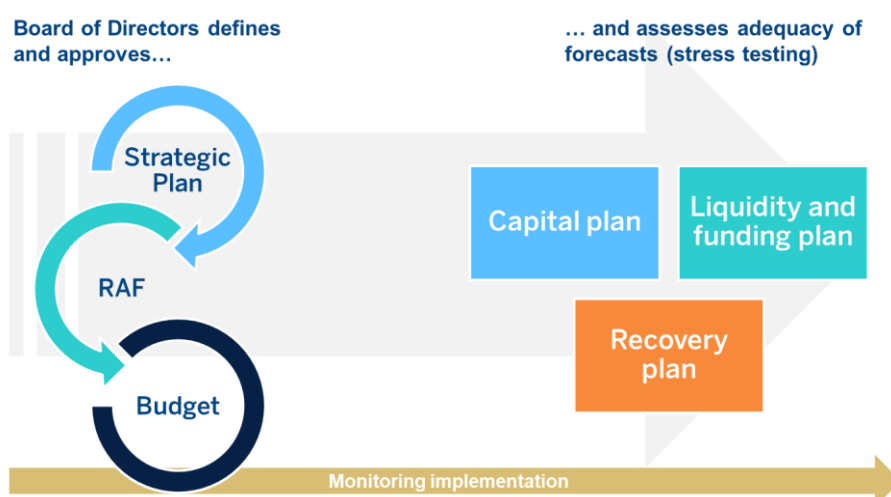
Strategies and general policies of the Entity and the Group	<ul style="list-style-type: none"> Strategies and general policies (e.g. strategic plan, annual budget, dividends, capital plan, liquidity and funding plan, tax strategy, etc.). Monitoring, control and periodic evaluation of the effectiveness of the Corporate Governance System Corporate social responsibility policy Risk management and control policy
Organisation and operation of the Board and its delegated and advisory bodies	<ul style="list-style-type: none"> Appointment and renewal of roles on the Board and Committees Assessment of the operation of Board and Committees, and of the performance of the Chairman and Chief Executive Officer
Directors, senior managers and employees	<ul style="list-style-type: none"> Proposals for the appointment, ratification, re-election or removal of directors to the General Shareholders' Meeting, and approval by co-option Remuneration policy for directors and remuneration matters Appointment and removal of senior managers and oversight of their actions
Financial statements, annual accounts and information to be provided	<ul style="list-style-type: none"> Drafting of annual financial statements, included the non-financial information statement, and approval of the financial information that the Bank is required to publish periodically as listed company Supervision of the integrity of the accounting and financial information systems Supervision of the process for the disclosure of information
Other responsibilities	<ul style="list-style-type: none"> Approval of strategic investments and transactions (M&A transactions) Creation or acquisition of holdings in special purpose vehicles Related-party transactions
<ul style="list-style-type: none"> It will also, either directly or through its Committees, monitor decisions taken and oversee management 	

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

Furthermore, for a better performance of the management and oversight functions, BBVA Board of Directors has **specific Committees** that assist it in matters falling within their remit, on the bases of an adequate distribution of functions and with a coordinated working system among Corporate Bodies (Section 4 of this document).

The joint work carried out by the Board of Directors and its Committees, in interaction with the Bank's Senior Management, ensures 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 monitoring and oversight of the adopted decisions, which are implemented by the executive level.

The approval of the Group's overall strategy of is one of the functions assigned to the Board of Directors. Thus, the Board **defines and approves the strategic plan for the 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 the risk appetite framework, the annual budget, the capital plan, the liquidity and funding plan and the Group's recovery plan; to ensure they are consistent, aligned and approved on the same strategic bases determined by the Corporate Bodies.



In addition, within the framework of the Corporate Governance System, the Board of Directors **monitors, oversees and controls the implementation of the defined strategic plan** by: (i) determining and monitoring the implementation of key strategic indicators (KPIs), which measure the level of achievement of the identified strategic objectives and their integration into management; (ii) overseeing the management performed by the executive area, ensuring that it is consistent with the defined strategic plan, risk appetite framework and annual budget; and (iii) reviewing and updating the strategic plan and other strategic-prospective decisions, adapting them to the needs and development of the business and environment.

As described in this document, BBVA Corporate Governance System is designed so that the Board of Directors has set up different Committees in order to **assist the Board in the adoption of the relevant decisions and in the oversight and control of the implementation of the strategy**, based on a solid decision-making process and an adequate distribution of functions. This ensures adequate coordination and interaction between the Bank's strategic-prospective decisions and between the various Corporate Bodies.

Evolution of strategic priorities

In 2019, BBVA carried out a **strategic review** process to continue to further its transformation and adapt to the major trends that are reshaping the world and the financial services industry. In this context, **BBVA's strategy has evolved** with **six strategic priorities**, which seek to accelerate and deepen the Group's transformation and the achievement of its Purpose.

Thus, in accordance with the decision-making process for the strategic plan described above, the Board of Directors approved the **new BBVA strategy**, which is made up of three blocks and **six Strategic Priorities**:



For more information on the BBVA Group's Strategic Priorities, see BBVA Group's Consolidated Management Report for 2019.

This strategic review has had a **special implication of the Corporate Bodies**, and in particular of the Board, which has had a direct participation in the drafting and approval of the strategic plan and has defined a process to monitor its implementation and execution, through measures such as holding specific meetings focused on strategy or the reinforcement of the monitoring of the implementation of the strategic plan through the approved KPIs.

In addition to the above, in 2019 decision-making and oversight and control have been reinforced regarding several strategic-prospective decisions, such as the risk appetite framework, the annual budget, the capital plan and the liquidity and funding plan, to ensure that **they are all based on the same strategic foundations**, are **consistent with the defined risk profile** and are aimed at long-term value creation.

3.2 Composition

The composition of the Board of Directors is a key element of BBVA Corporate Governance System. As such, it must help the Corporate Bodies to adequately perform their management and oversight functions, providing different viewpoints and opinions, and fostering **debate**, **analysis** and **challenge** of the proposals submitted for its consideration.

Board of Directors' refreshment process

In order to ensure that the Board's composition is balanced, suitable for its needs and enables it to better perform its functions and achieve the corporate interest, the Bank develops an **ordered refreshment process of its Corporate Bodies**, in which their needs and the persons most suitable to join them are identified.

This process is based on the **ongoing analysis of the structure, size and composition of the Board**, carried out by the Appointments and Corporate Governance Committee, taking into account diversity in terms of gender, knowledge, skills and experience required of its members, and assessing directors' status, independence and suitability, as well as the commitment that the Bank requires for the proper performance of functions.

This analysis also takes into account the needs of the Corporate Bodies at any given time, as well as the policy on the Board of Directors' selection, appointment, rotation and diversity (the "**Selection Policy**"), which was approved by this body in 2016 ([link](#)). Among the objectives of this Policy are to seek to ensure that **independent directors make up at least 50% of the total number of directors** and that the selection processes favour diversity in terms of experience, knowledge and skills, as well as gender, seeking to ensure that by 2020, **at least 30% of the total number of directors are female**.

In 2019, this process was supported by an analysis of the skills and diversity of the Corporate Bodies, reflected in a **skills and diversity matrix**, which identifies the Board's existing skills, characteristics, experience and diversity, and the areas that need to be improved upon in the future. The result of said matrix is detailed below.

Therefore, in view of the conclusions reached by the Appointments and Corporate Governance Committee in its analysis of the structure, size and composition of the Board, the refreshment process is aimed at achieving a composition of the Board that includes directors with experience and knowledge of the financial sector, the Group's culture and businesses, and gradually introducing people with different professional profiles and experience to allow to increase the diversity of the Corporate Bodies; all taking into account the indicated objectives set in the Selection Policy.

With regard to the Board's refreshment process, the Committee ensures that the selection processes for potential candidates are carried out with the **highest degree of professionalism and independence** by seeking advice from leading international independent expert recruitment firms, which are in turn tasked with independently searching for potential candidates.

In the framework of the Board's refreshment process, the Appointments and Corporate Governance Committee, over the course of 2019, launched various **selection processes aimed at improving the diversity and independence levels of the Board**; which led to proposals for the appointment and re-election of directors being submitted to the Bank's 2020 General Shareholders' Meeting.

These selection processes are aimed at selecting candidates that are able to (i) complete the knowledge and experience of the Corporate Bodies, especially in the **financial, banking and sustainability** areas, and (ii) increase **diversity** in terms of **gender** and **international experience, especially in the markets where the Bank has significant footprint**. The selection processes also considered the time commitments deemed necessary to carry out their functions and the rules in terms of incompatibilities and conflicts of interest, as established in the Regulations of the Board and applicable law.

Current composition of the Board

As of the date of this document, BBVA Board of Directors is composed of a total of 15 directors ^(*):

Director	Role on the Board	Status	Date of appointment/ last re-appointment
Carlos Torres Vila	Chairman	Executive	15/03/2019
Onur Genç	Chief Executive Officer	Executive	15/03/2019
Tomás Alfaro Drake	Director	External	17/03/2017
José Miguel Andrés Torrecillas	Deputy Chair	Independent	16/03/2018
Jaime Félix Caruana Lacorte	Director	Independent	16/03/2018
Belén Garijo López	Director	Independent	16/03/2018
José Manuel González-Páramo	Director	Executive	17/03/2017
Sunir Kumar Kapoor	Director	Independent	15/03/2019
Carlos Loring Martínez de Irujo	Director	External	17/03/2017
Lourdes Maíz Carro	Director	Independent	17/03/2017
José Maldonado Ramos	Director	External	16/03/2018
Ana Peralta Moreno	Director	Independent	16/03/2018
Juan Pi Llorens	Lead Director	Independent	16/03/2018
Susana Rodríguez Vidarte	Director	External	17/03/2017
Jan Verplancke	Director	Independent	16/03/2018

(*) The composition of the Board will vary according to the proposals for appointment and re-election that the Board has submitted to the Bank's next General Shareholders' Meeting. Should these proposals be approved, the Board would continue to have 15 directors, 10 of whom would be independent, 3 external and 2 executive.

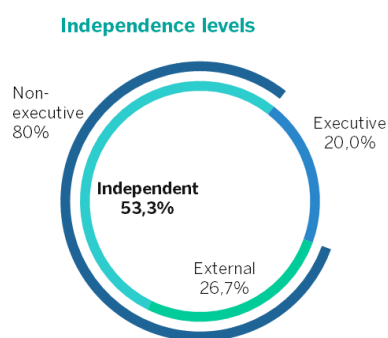
The full profiles of BBVA' directors are available on the corporate website: www.bbva.com.

The General Meeting held on 15 March 2019 resolved to re-elect **Carlos Torres Vila** as executive director (98%) and **Sunir Kumar Kapoor** as independent director (99%), as well as resolved to ratify the appointment of **Onur Genç** (99%), as executive director, who was co-opted by the Board of Directors at its meeting held on 20 December 2018.

Main features of the composition of BBVA Board of Directors

■ Independence

In line with the Selection Policy, **as of the date of this document, BBVA Board of Directors has an independence level that exceeds the 50% target established in the Policy.**



This high level of independence favours the proper discharge of the management, oversight and control functions of the Corporate Bodies, ensuring objectivity and independence of judgment in decisions.

In addition, it contributes to the suitable composition of the Corporate Bodies, in particular of the Committees that assist the Board in its oversight and control functions, which must have a significant representation of independent directors, included their chairs, as described in section 4 below.

Should the proposals for the appointment and re-election of directors be approved at the Bank's 2020 General Shareholders' Meeting, the **number of independent directors will increase** in this financial year **up to 2/3** of the total.

■ Diversity

The Board of Directors has a **diverse composition** that comprises directors with broad experience and knowledge of the financial and banking sector and others who have experience and knowledge in other areas that are of interest to the Bank and its Group, such as auditing, risk management and control, the

legal and academic field, multinational business, public institutions, digital businesses and technology, both at national and international level.

Together with this diversity of profiles and expertise, the Board has members with broad experience on the Board of Directors, which gives them in-depth knowledge of the Bank and its businesses at both national and international level. It also ensures that the refreshment process of the Corporate Bodies, which entails the inclusion of new profiles with lesser knowledge of the Bank, is carried out without affecting the proper functioning of the Board.

In addition, year after year, through its refreshment process, the Board has been increasing this **diversity in terms of skills, knowledge and experience, as well as international experience and gender**, incorporating new members that allow its composition to be adapted to the needs of the Group at all times.

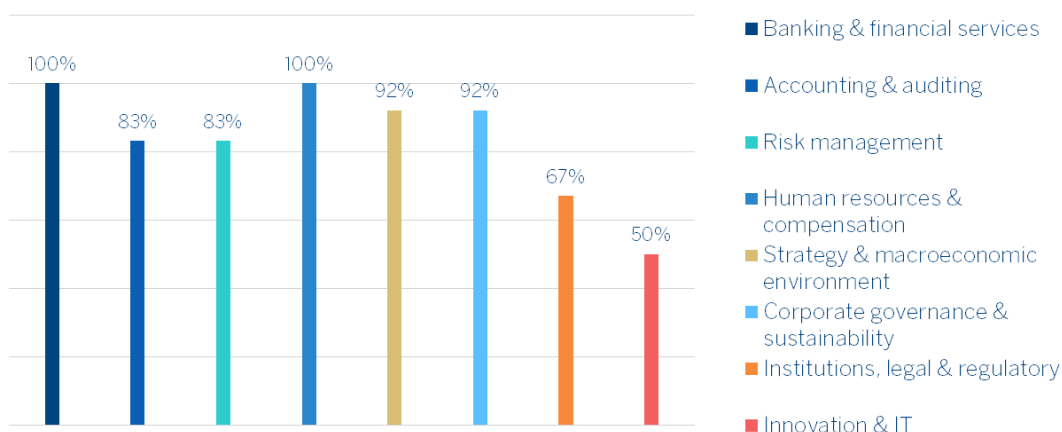
As such, the Board as a whole is **appropriately balanced in terms of its composition** and it has **sufficient knowledge of the Bank's and the Group's environment, activities, strategies and risks**. In this regard, the Board of Directors as a whole is **highly skilled in the areas most essential to the management and oversight of the Bank**. This ensures that the Board can effectively take decisions independently and autonomously, thus contributing to its better operation and the best corporate interest.

Directors' profile

With a view to identifying the Board's existing skills, characteristics, experience and diversity, and the areas that need to be improved upon in the future, a skills and diversity matrix of the Board of Directors has been developed. This has identified the skills, experience and diversity criteria that are most essential to BBVA Board of Directors, based on the recommendations and guidelines of supervisors and international best practices.

This process led to the conclusion that **the Board of Directors as a whole has an appropriate level of skills, experience and diversity in the areas most essential to the management and oversight of the Bank**, with a composition that is suitably equipped to meet the needs of the Group at all times

The process of identifying the competences of the directors carried out in 2019 concluded that the Board has the following combination of profiles:



The graph indicates the percentage of Board members who have knowledge on the relevant skill, over the total of the Board.

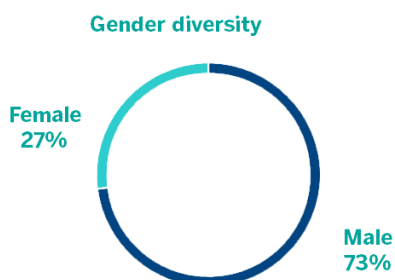
The results have also served as **an additional tool in the selection process** for candidates to be proposed as new members of the Board, submitted to the Bank's 2020 Annual General Shareholders' Meeting.

Gender diversity

In application of the principles set out in Regulations of the Board of Directors and in the Selection Policy, the Appointments and Corporate Governance Committee ensures that **the selection procedures do not suffer from implicit biases that may imply any kind of discrimination** and, in particular, hinders the selection of female directors, seeking to ensure that women who match the professional profile sought are included among potential candidates.

The Selection Policy also stipulates that **efforts will be made to ensure that female directors represent at least 30% of Board members in 2020**.

Thus, in recent years, **the proportion of female directors** on the Board has **increased** and, as of the date of this document, the proportion of women on the BBVA Board of Directors is as follows:



Following completion of the selection process and upon submission of the corresponding appointment and re-election proposals to the Bank's 2020 General Shareholders' Meeting, if approved, **the proportion of female directors on the Board will be 1/3 of the total, exceeding the 30% threshold** set out in the Selection Policy.

■ Suitability

In application of its Regulations and applicable law, the Board of Directors requires that its members have the **suitability needed** in order to carry out their roles.

To this end, the Bank's directors have the reputation required to carry out their functions, have the knowledge and skills required and are in a position to effectively govern the Entity. They also have the availability needed in order to dedicate the time required to perform the duties assigned to them.

BBVA directors are also subject to a strict **system of limitations and incompatibilities** established in the Regulations of the Board and applicable law, which states that, among other aspects, directors may only hold up to four non-executive directorships, or one executive directorship together with two non-executive directorships.

To this end, the Board of Directors has a procedure for the ongoing assessment of directors' suitability, which is conducted by the Appointments and Corporate Governance Committee. During 2019, there were no known circumstances affecting the suitability of the directors to perform their roles.

■ Dedication

The structure and functioning of BBVA Corporate Governance System requires **a high degree of activity by the Board and the Committees**, and, as such, requires high dedication of their members, in terms of both preparing and conducting meetings.

As such, all directors have shown a high level of dedication to the Bank, each attending **100% of the Board meetings in 2019**. The directors actively participated in the deliberations, discussions and debates on the matters submitted for their consideration.

Corporate body	Number of Meetings in 2019	Attendance % (incl. by proxy)	Attendance % (excl. by proxy)	Number of proxies
Board of Directors	14	100%	100%	-
Executive Committee	18	100%	100%	-
Audit Committee	15	100%	94%	4 proxies
Risk and Compliance Committee	21	100%	98%	2 proxies
Appointments and Corporate Governance Committee	8	100%	95%	2 proxies
Remunerations Committee	7	100%	100%	-
Technology and Cybersecurity Committee	6	100%	100%	-

Breakdown of director attendance to Corporate Bodies' meetings

Board member	Nº total meetings in 2019	Attendance % (incl. by proxy)	Attendance % (excl. by proxy)
Carlos Torres Vila	38/38	100%	100%
Onur Genç	32/32	100%	100%
Tomás Alfaro Drake	27/27	100%	100%
José Miguel Andrés Torrecillas	57/58	100%	98%
Jaime Félix Caruana Lacorte	62/62	100%	100%
Belén Garijo López	40/44	100%	91%
José Manuel González-Páramo	14/14	100%	100%
Sunir Kumar Kapoor	20/20	100%	100%
Carlos Loring Martínez de Irujo	60/60	100%	100%
Lourdes Máiz Carro	39/39	100%	100%
José Maldonado Ramos	40/40	100%	100%
Ana Peralta Moreno	36/36	100%	100%
Juan Pi Llorens	50/52	100%	96%
Susana Rodríguez Vidarte	60/61	100%	98%
Jan Verplancke	20/20	100%	100%

In addition to the Corporate Bodies' meetings, and pursuant to Article 37 of the Regulations of the Board, non-executive directors hold, on a recurring basis, **coordination and follow-up meetings**, led by the Lead Director in execution of his role, without the attendance of executive directors; in addition to other meetings and conversations held between the Bank's directors and the Lead Director. This creates a mechanism that allows directors to convey their opinions on corporate governance and the operation of the Bank's Corporate Bodies.

Likewise, the Lead Director also serves, as of the date of this report, as Chair of the Risk and Compliance Committee and sits on the Appointments and Corporate Governance Committee, both of which are composed of non-executive directors and have a majority of independent directors. These positions additionally allowed the Lead Director, in the course of his duties, to meet regularly with the Bank's non-executive directors on the occasion of these meetings, which are added to the aforementioned meetings to enable the Lead Director to perform the duties.

Directors carry out their duties with honesty, integrity and independence of thought, complying with the obligations and functions established in the applicable legislation and BBVA's internal rules.

■ Training

The above is supplemented by an **ongoing training programme for directors**, which supports the Corporate Bodies' decision-making system and the information model that is followed in their meetings and which enables the Board of Directors as a whole to have the appropriate knowledge and skills at any given time. This programme supplements the specific induction programme for new directors and the informative presentations at the different Corporate Bodies.

This training programme was continued and improved over the course of 2019, by means of single-issue meetings that address topics deemed necessary in order to top up the knowledge that directors may require for the performance of their duties, with a **special focus** placed on matters relating to **banking** and **new technologies**.

In 2019 this programme included different meetings focused in matters such as investor protection under MiFID II, overview of financial systems under BBVA footprint, the use of Big Data, IFRS 9, sustainable financing, and money laundering & terrorist financing risk management.

This training programme was carried out with open participation of all directors, who were provided with extensive information and presentations by Group's experts on the subject matter.

■ Checks and balances system

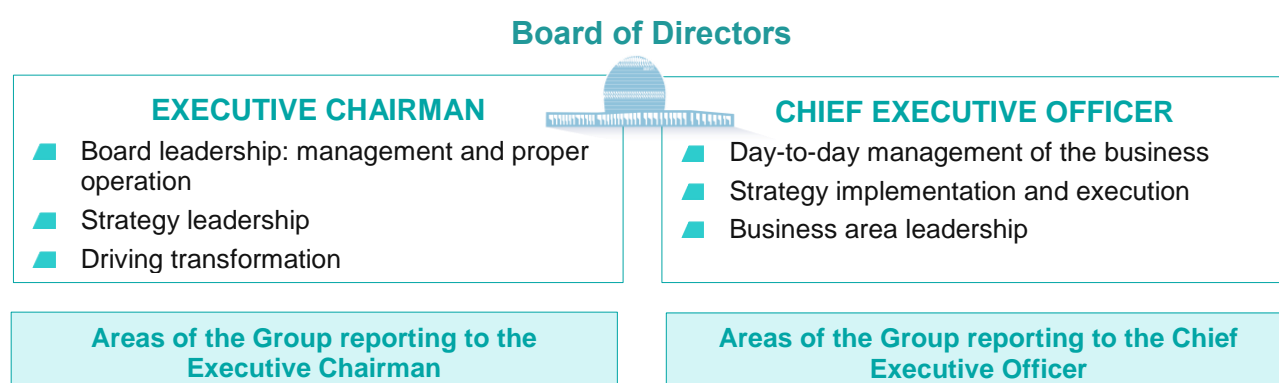
The Board's composition allows for the implementation of a system for the **distribution of functions and duties** among its different bodies and members. This system is designed to ensure adequate checks & balances exist at all times and, accordingly, prevent any concentration of power among any member or body.

The checks & balances system achieved in the Corporate Bodies through the proper composition and distribution of functions between the Board and its Committees is complemented by the separate roles of the **Group Executive Chairman** and **Chief Executive Officer**. Under this model, both roles have separate and differentiated functions and responsibilities, which facilitates the appropriate oversight and control of management by the Corporate Bodies, as well as driving BBVA's strategy from the executive level to the entire Bank.

This checks & balances system was enhanced in 2019, with **the progress made in the formalisation of the separation of duties** between the Chairman and the Chief Executive Officer.

In this respect, their duties have been clearly determined, more expressly listing describing their respective areas of responsibility and to whom each head of area reports, in the corporate documentation and in the organisational structure; which led to the Bank's checks and balances system being significantly enhanced.

The Regulations of the Board therefore establish the following separation of duties:



Both of these roles are under the direct authority of the Board of Directors, which is responsible for appointing them. As such, the Board receives direct reports on the activities undertaken and assesses their performance.

In order to strengthen the checks & balances, the Board of Directors has also appointed, among the independent directors, a **Lead Director**, whose duties are as established by law and good governance recommendations, following the national and international best practices, as well as a **Deputy Chair**.

In 2019, **the Lead Director's duties were reviewed** following the analysis of the Corporate Governance System carried out during the year.

In addition, as part of the reinforcement of the Corporate Governance System and in the framework of strengthening the checks & balances, **the Board of Directors appointed a Deputy Chair**, who is responsible, in accordance with the provisions of the Bank's Bylaws, for performing the duties entrusted to the Chairman of the Board, in the event of his impossibility to perform his duties.

Lead Director's duties

- To request that a Board meeting be called, or for new items to be included on the agenda
- To be aware of the annual meeting calendar and agenda proposals prior to the calling of meetings
- To ensure that directors have sufficient time to review and discuss items on the agenda for each meeting
- To call and lead coordination meetings with non-executive directors
- To direct the periodic assessment of the Chairman of the Board
- To coordinate, with the Appointments and Corporate Governance Committee, the succession of the Chairman
- To engage with investors, shareholders, supervisors and other stakeholders in order to ascertain their views and to form an opinion regarding the Entity's Corporate Governance
- To periodically inform the Board of the activities undertaken in the course of the role

At BBVA, the Lead Director also serves as Chair of the Risk and Compliance Committee and sits on the Appointments and Corporate Governance Committee and the Technology and Cybersecurity Committee, which facilitates the performance of the Lead Director's duties and is positioned as a key figure in the Bank.

In addition, the Lead Director maintains ongoing contact and holds meetings and conversations with the Bank's directors in order to seek their opinions on the corporate governance and the operation of the Bank's Corporate Bodies, as described above.

In view of the Board's current composition, and as described above:

- The Board, as a whole, has the **appropriate balance and diversity in its composition and boasts sufficient knowledge, skills and experience** to adequately understand the Bank's activities. This includes the main risks that affect it, considering its business model, risk appetite framework, its strategy, and the markets and geographical areas in which it operates, which ensure proper operation and the effective ability of the Board of Directors **to make decisions in independently and autonomously in the best corporate interest. This is continuously enhanced by means of the refreshment process** of the Corporate Bodies.
- The Board's composition and structure allows for a distribution of functions among its members and Committees, which is designed to ensure that there are **adequate checks & balances** at all times and, accordingly, prevent any concentration of power among any of them.
- All of the above provides the **Board Committees** with the appropriate composition to ensure their correct and efficient operation at all times, as described in the following section.

4. Board Committees

A core element of BBVA Corporate Governance System is the existence of the Board Committees, set up to assist the Board in matters falling within their remit, based on an **adequate distribution of functions**.

These Committees are essential in ensuring the proper performance of the Board's oversight and control functions, which are developed in accordance with a system that ensures **total independence from management areas**, thereby reinforcing the checks & balances system in BBVA Corporate Governance System.

The Board of Directors has created **six specific Committees**, which assist it in carrying out its functions: the **Audit Committee**, the **Risk and Compliance Committee**, the **Appointments and Corporate Governance Committee**, the **Remunerations Committee** and the **Technology and Cybersecurity Committee**, as well as the **Executive Committee**.

■ Functions

For the correct performance of functions, the Board has provided its Committees with a **clear allocation of functions**, which has been reinforced in 2019, with each of them having their own specific regulations, which can be found on the Bank's website.

In addition, as a result of the review of the Corporate Governance System developed during the year, the **functions of the Committees have been reorganised**, ensuring greater clarification and consistency and thereby enabling the Committees to better perform their functions.

The main task of the Committees is to assist the Board of Directors in the following areas:

■ Audit Committee

- **Overseeing the preparation of financial statements** and **public information** and the relationship with **the external auditor** and **Internal Audit**, in order to implement independent and separate overview of the third line of defence.
- The responsibilities formerly assigned to the Audit Committee in relation to regulatory compliance and the conduct of directors have been transferred to other Committees.

■ Risk and Compliance Committee

- Determining and monitoring the **Group's risk control and management policy**, including **internal risk control and non-financial risks**, with the exception of those related to internal financial control, which correspond to the Audit Committee; those related to technological risk, which correspond to the Technology and Cybersecurity Committee; and those related to business and reputational risk, which correspond to the Executive Committee.
- Supervising the **compliance function** and establishing a **risk and compliance culture** in the Group.
- As a result, this Committee is responsible for supervising internal control (second line of defence).

■ Appointments and Corporate Governance Committee

- Matters relating to the **selection and appointment** of members of the Board of Directors, the **performance assessment**, succession plans, the Bank's Corporate Governance System, and the oversight of the conduct of directors and any conflicts of interest that may affect them.

- Thus, in addition to its previous functions, the remit of this Committee now includes those functions relating to the **Corporate Governance System** of the Bank and its Group, in addition to those relating to the **conduct** of directors.

■ Remunerations Committee

- Remuneration matters within its remit, and, in particular, those relating to the remuneration of **directors, senior managers** and those employees whose professional activities have a significant impact on the **risk profile** of the Group.

■ Technology and Cybersecurity Committee

- Oversight of **technological risk, cybersecurity** management and monitoring of the Group's **technology strategy**.

■ Executive Committee

- The delegated functions of this Committee have been specified and limited, establishing it as a committee supporting the Board with regard to **strategy** and **finance** and **risk monitoring**, as well as a **delegated body** within the remit established in its own regulations.
- Furthermore, corporate governance and governance risk-related functions have been removed from its remit, having been allocated to other Committees.

Focusing on:

• A separate and independent oversight of the third line of defence	>	AUDIT	Financial Statements, External Auditor and Internal Audit function
• Oversight of internal control (second line of defence)	>	RISK & COMPLIANCE	Compliance, Financial Risks and Non Financial Risks
• Active monitoring of Corporate Governance matters	>	APPOINTMENTS & CORPORATE GOVERNANCE	Appointments, conduct and suitability of directors and Corporate Governance System
• Remuneration policies aligned with risk and performance	>	REMUNERATIONS	Directors' remuneration, Senior Management and risk takers
• Technological transformation of the business	>	TECHNOLOGY & CYBERSECURITY	Cybersecurity risks and technology strategy
• Continuous monitoring of the business	>	EXECUTIVE	Strategy and Finance, monitoring KPIs, delegated decision-making powers under Regulations

■ Composition

The Committees that assist the Board in its oversight and control functions are composed exclusively of external directors, with a majority of **independent directors**, with the exception of the Audit Committee, which is composed only of independent directors, and the Technology and Cybersecurity Committee, which has one executive director.

As such, there are no executive directors on any of the Committees, either as members or as attendees at meetings, except as indicated for the Technology and Cybersecurity Committee.

Furthermore, for a better performance of the Corporate Bodies, it is essential not only the distribution of the functions between the Board and the different Committees, but also a **suitable coordination** between them, based on their functions, which is strengthened by the **cross-membership** of the different members of the Board sitting on different Committees

This mechanism facilitates the decision-making process, the exchange of information between the Committees and the performance of their oversight and control functions. It also ensures that the Board makes its decisions based on complete and adequate information. Cross-membership also ensures that each Committee has the right balance of knowledge and experience and it also helps ensure that the matters submitted to the Corporate Bodies are analysed from all possible perspectives by the specialised Committees.

The **composition** of the Committees **was reviewed** in 2019, in parallel with the reorganisation of their functions.

In this regard, the Board deemed it appropriate to modify the composition of the Audit Committee (including its Chair, as the statutory four-year period since his appointment as such had elapsed), as well as the Appointments and Corporate Governance Committee and the Technology and Cybersecurity Committee. The foregoing was in order to align these with the changes in their functions; to ensure that each Committee had the appropriate knowledge, skills, experience and availability to perform its role, thereby strengthening the quality and efficiency of the operation of the Corporate Bodies.

The current composition of the Board Committees can be found on the corporate website ([link](#)).

■ Organisation and operation

The Committees perform their functions with full independence and in the manner that they consider most suitable for their best operation. To this end, the Committees are provided with the necessary means and their chairs have full autonomy to organise their operation as they deem most appropriate.

To this end, the **chairs** of the Committees call the meetings and determine their agendas, and are can request, when they deem it appropriate, attendance by executives responsible for the areas that manage matters within their remits, as well as those within the Group who have knowledge of or responsibility for the matters covered by the agenda. The Committee chairs also receive the information that they consider necessary on all matters, hold preparatory meetings with Group staff as they see necessary, and may also request assistance of external experts.

In addition, **coordination** between Committees was **intensified** over the course of 2019 in light of the new dynamics and interactions established as a result of the Committees' new functions. This enables the Corporate Bodies to analyse matters within their respective remits, with several Committees examining one matter from different angles in the performance of their respective functions, thereby **bolstering the expert criterion** used by the Corporate Bodies to analyse the matters.

In this regard, as a result of the review of the Corporate Governance System, the **periodic reporting** by the Committees to the full Board has been improved, by providing the full Board with reports detailing

the activities carried out and the resolutions adopted by each of the Committees, which ensures that all directors are fully informed of the work carried out by the various Board Committees.

This model ensures that all matters submitted to the Corporate Bodies are studied from **all possible perspectives** by the specialist Committees and that the Board of Directors adopts decisions based on complete and adequate information.

As detailed hereinafter, through the performance of the functions entrusted thereto by the Board, **the Committees bolster the decision-making process** by analysing the proposals submitted for their consideration, as well as challenging the proposals received from the executive areas.

The core mission of Committees is to:

- Analyse matters that fall within their remit in detail before the corresponding decisions are adopted by the Board;
- Conduct an in-depth review of the matters submitted by the executive areas, in order to ensure that proposals submitted to the Board are in line with the strategy, general policies and guidelines approved by the Board; and
- Facilitate the independent oversight and control functions of the Corporate Bodies

In this way, the Committees **analyse and debate** the issues within their remit prior to their consideration by the Board. The Committees therefore submit their corresponding reports, proposals or opinions to the Board to ensure that it has adequate and detailed information on the matters about which it makes decisions or considers.

In addition to this prior proposal or report, the Committees carry out in-depth **monitoring and oversight** of matters that fall within their remit, while some matters are monitored by various Committees from their different perspectives.

Furthermore, the current structure of the Committees allows the Corporate Bodies to control not only the proposals of Senior Management but also the implementation and development of the decisions, based on the work that takes place in the Committees (section [6](#)).

5. Decision-making process

The operation of BBVA Corporate Governance System is based on a sound decision-making process, which involves the **interaction among Corporate Bodies** and with Senior Management, playing an important role in the proper operation of the Board of Directors.

The **main elements** of the decision-making process of the Corporate Bodies, according to their respective functions, are as follows:

- All decisions must be made based on corporate interest.
- Decisions must be made by the bodies and/or individuals with the necessary powers and authority, in accordance with applicable internal regulations and procedures.
- Any proposal submitted for consideration by the Corporate Bodies must take into account applicable corporate policies, and must be in line with the Bank's strategy and the risk appetite framework, which are approved by the Board.
- Proposals must be accompanied by sufficient, comprehensive, adequate and consistent information so that the matter proposed may be analysed considering all aspects that may affect it.

- Prior to consideration by the Board of Directors, all proposals must be analysed, discussed and developed, as required, by the Board Committees, depending on the matter in question. The Committees therefore provide for a specific forum to debate the proposals to be submitted to the Board of Directors.

Example of BBVA's decision-making process



In 2019, **the decision-making process regarding some of the Bank's strategic-prospective decisions and regarding risk has been enhanced**, both in terms of oversight and control functions and decision-making, as a result of the review of the Corporate Governance System. This has improved coordination, consistency and increased interaction between Committees.

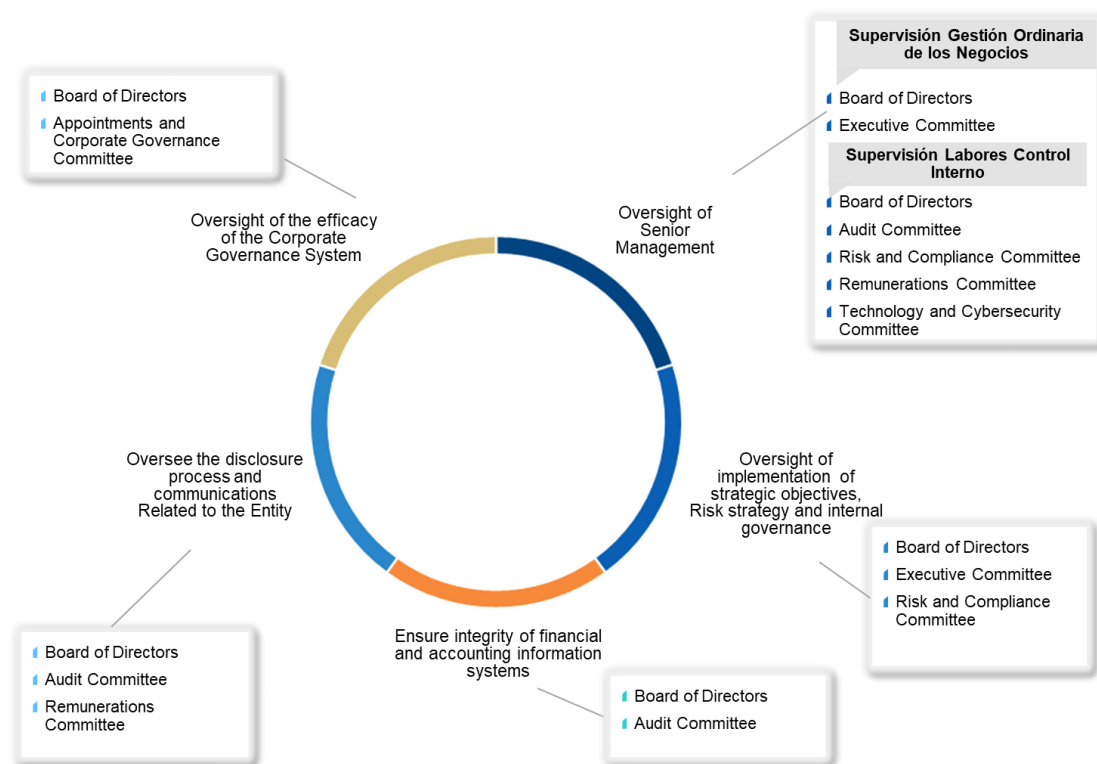
Consequently, one of the key principles of the decision-making process for BBVA's Corporate Bodies is the interaction between the Board and its Committees, and between these and Senior Management, through direct, periodic and regular contact. This enables them to effectively control and oversee the Group's main management decisions and actions, as well as their subsequent monitoring.

6. Oversight and control functions

The Bank's Corporate Governance System includes a system that enables the **monitoring, oversight and control of the decisions** made by the Corporate Bodies in the performance of their functions. In this regard, once the appropriate decisions have been taken, the Board of Directors assigns the responsibility for their implementation and development to the competent executive areas, which implement them within a sound internal control framework.

In addition, the Board performs the general functions of oversight and control of the Entity and of the Board's decisions that are executed by the executive area, with support from its various Committees. Senior Management carries out this control by appearing regularly before the Corporate Bodies. This makes it possible to control and supervise their activities and for them to convey the corporate culture and strategy to the rest of the Group.

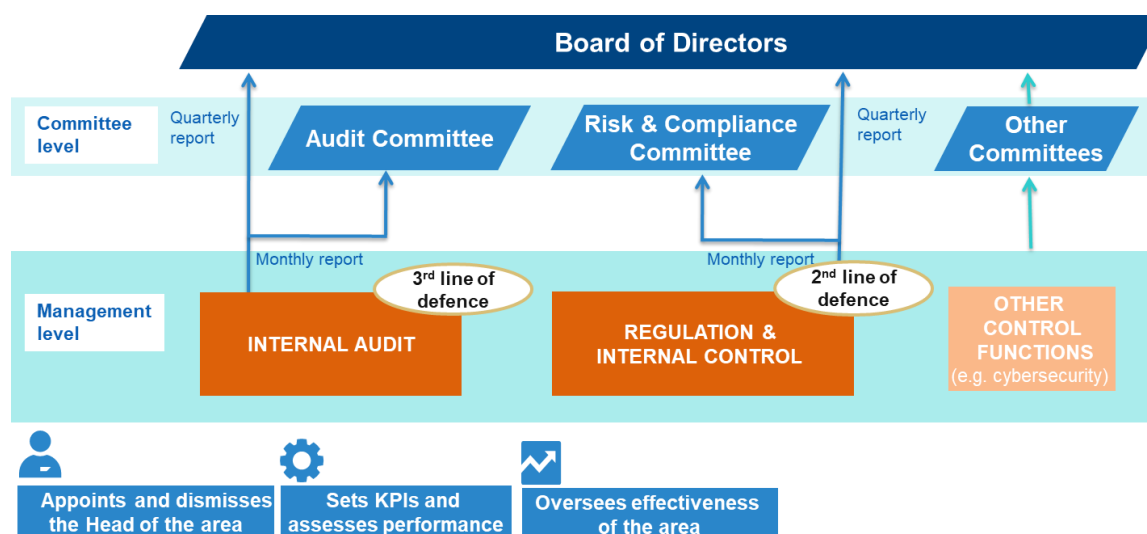
The supervision and control model is built around the following axes:



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 its management functions, provide the Board with a comprehensive overview of the Bank's situation and businesses and of the tasks carried out by the Group's executive areas. They also enable it to adopt the decisions deemed necessary at any given time.

Over the course of 2019, in order to strengthen oversight and control functions, the **independence** of certain **control functions** in the Group (Internal Audit and Regulation & Internal Control) have been strengthened, by establishing a direct reporting line from the heads of these areas to the Board of Directors, through the Audit Committee and the Risk and Compliance Committee, respectively, which include:

- The appointment and dismissal of the head of each area by the Board, on the proposal of the relevant Committee.
- The establishment of the objectives and performance assessment of the head of each area, on the proposal of the relevant Committee.
- The establishment of direct and periodic reports from the heads of these areas to the relevant Committees and to the full Board, for the purpose of monitoring their work and ensuring the performance of their functions.



The review of the Corporate Governance System developed in 2019 has laid the foundations for **strengthening the decision-making process and the oversight and control performed by the Corporate Bodies**, by implementing a set of measures including: **increased participation and interaction by Corporate Bodies** in strategic-prospective processes and decisions, **reinforcing the Committees' reports to the Board**, **strengthening the organisation, independence and report of the control areas**, and greater involvement of the Board in strategic matters. These measures, together with others designed to strengthen the operation and organisation of the Corporate Bodies, have facilitated improvements in terms of decision-making and the performance of oversight and control functions.

7. Performance assessment of the Board and Committees

BBVA Corporate Governance System is subject to continuous analysis, development and improvement, which is performed through an ongoing self-assessment process that ensures the proper operation of the Corporate Bodies, and their development in order to adapt to the requirements of any given time, according to the circumstances that may affect the Entity and its environment.

This analysis, development and continuous improvement of the Corporate Governance System is coordinated, alongside the assessment process of the operation of the BBVA Board of Directors, carried out by the Board based on the report submitted by the Appointments and Corporate Governance Committee.

The Board also assesses on an annual basis the operation of its Committees, on the basis of the reports submitted by each Committee. In this regard, summaries of the activities carried out in 2019 by the different Committees which perform oversight and control functions, are included as an **appendix** to this document. These reports include the work carried out by them during the financial year in compliance with the functions entrusted to them.

In this framework, the Board has also assessed:

- the performance of the duties of its **Chairman** during 2019, based on the report submitted by the Appointments and Corporate Governance Committee.

- the performance of the duties of the **Chief Executive Officer** during 2019, based on the report submitted by the Appointments and Corporate Governance Committee, which integrates the assessment made by the Executive Committee.

Thus, the assessment of the Corporate Bodies for 2019 included the **analysis and assessment made by the Appointments and Corporate Governance Committee**, which has taken into account the activity reports, the views of the Bank's directors on the corporate governance of the Entity and the performance of the Corporate Bodies.

In particular, the following has been analysed:

- the measures implemented to reinforce the Corporate Governance System throughout 2019, described herein, which took, as a starting point, the analysis of the Bank's corporate governance structures carried out both internally and by an independent expert at the end of 2018;
- the structure, size and composition of the Board of Directors, including its current composition and its ongoing refreshment process, as well as the structure and composition of the Board Committees;
- the decision-making process and the information model, as well as the development of the functions by the Board in 2019;
- the operation and activity carried out by the Committees; and

In light of the above, the Board of Directors has completed its annual assessment process, concluding that the operation of the Corporate Bodies during 2019 was very positive, particularly assessing the following points:

- The **strengthening of the operation of the Corporate Bodies** with the measures implemented to reinforce the Corporate Governance System.
- The **high level of training for Board members** in the areas most essential to the management and supervision of the Bank.
- The positive outcome of the **Board's refreshment process** carried out in recent years, which ensured that the composition of the Corporate Bodies enabled the Bank to meet its needs at all times.
- That the structure, composition and operation of the Committees ensures that each one has the necessary **knowledge, skills, experience and availability** to operate effectively and aid **coordination** and **interaction** between them.
- That the Board has sufficient, comprehensive, adequate and consistent information to be able to perform its functions and that the strengthening of the interaction between the Corporate Bodies has enabled the Board to have an in-depth understanding of the Committees' activities. This has had a positive impact both on the **decision-making process** and on the performance of its **overall oversight function**.

Throughout the year, BBVA Corporate Governance System will continue with its evolution, as well as regarding the composition, structure and operation of the Corporate Bodies, in light of BBVA's environment, needs and strategy. In this regard, the Bank will continue working on the adequate **composition of the Board and Committees**, to ensure that their members have adequate knowledge, skills, experience and availability for the performance of the assigned functions. In addition, the Bank will continue reinforcing measures that allow **improving the structure and operation** of the Corporate Bodies, ensuring that the Board adopts decisions based on complete and adequate information and that all matters submitted to its consideration are studied from different perspectives by the different Committees.

III. Corporate Governance for BBVA Group

BBVA Group has a decentralized management model, based on legally independent subsidiaries which operate in different geographical areas, within a common governance framework which enables them to reach the objectives set by the Group.

BBVA has a common governance framework, based on the strategic-prospective decisions, corporate policies and management guidelines set by BBVA's Corporate Bodies for the whole Group. This framework is specified in each subsidiary, with the appropriate adaptations, and defined by the different heads of the global business areas and the transversal corporate areas, on which the local counterpart areas depend. These are responsible for applying the common framework in each geographical area.

Within the common governance framework, subsidiaries carry out their activity and manage their businesses with a high level of autonomy, having their own means and resources for these purposes, which allow for a sound decision-making process and the monitoring and control of their activities.

This monitoring and control is integrated in a system coordinated at Group level, based on methodologies and processes that are consistent in all geographical areas and in an organization with transversal areas and control functions, with reporting lines from local areas to corporate areas, and from corporate areas to the Corporate Bodies, making it possible to monitor the Group activities as a whole and to oversee compliance with the common management framework.

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APPENDIX

ACTIVITY OF THE BOARD COMMITTEES 2019

Activity of the Audit Committee

In accordance with Article 48 of the Bylaws and Article 32 of the Regulations of the Board of Directors, and in order to better perform its functions, the BBVA Board of Directors has an Audit Committee that assists the Board of Directors in **overseeing the preparation of financial statements** and **public information**, the **relationship with the external auditor** and the **Internal Audit**.

The regulations for this Committee, in addition to those established by current legislation, the Bylaws and the Regulations of the Board, are established in its specific Regulations, which have been amended by resolution of the Board of Directors dated 29 April 2019, focusing on this Committee the functions related to the supervision of the financial information of the Bank and its Group, the relationship with the External Auditor and those related to the Internal Audit function

These documents are available at the Corporate Governance and Remuneration Policy section, under “Shareholders and Investors”, on the Bank's website (www.bbva.com).

In order to better perform its functions, the Audit Committee also takes into account existing best practices and recommendations on matters issued by both national and international bodies, and more specifically by the Spanish National Securities Market Commission Technical Guide 3/2017 on audit committees at public interest entities.

■ Composition

In accordance with the Regulations of the Board of Directors, the Audit Committee will be exclusively composed of independent directors. At the close of the 2019 financial year, the Audit Committee comprised the following directors, all of whom had independent status:

Director	Role	Status	Date of appointment as a Committee member
Jaime Caruana Lacorte	Chairman	Independent	29/04/2019
José Miguel Andrés Torrecillas	Member	Independent	04/05/2015
Belén Garijo López	Member	Independent	26/09/2012
Lourdes Máiz Carro	Member	Independent	04/05/2015
Ana Peralta Moreno	Member	Independent	27/06/2018

The Bank's Audit Committee consists of directors with extensive experience and knowledge in accounting and auditing, possessing as a whole the Committee members relevant technical knowledge in the financial sector. The profiles of each Committee member, including information about their education and professional experience, can be found on the Bank's website (www.bbva.com).

■ Operation

In accordance with Article 6 of its specific Regulations, the Audit Committee shall meet whenever called by its Chair, who is empowered to call the Committee and to set the agenda for its meetings. The Committee will thus endeavour to establish an annual calendar of meetings, considering the amount of time to be devoted to various tasks. The executives responsible for the areas that manage matters within its remit may be called to meetings. In particular, this applies to the Accounting and Internal Auditing areas and, at the request of the heads of these areas, those people within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. Furthermore, the Committee may hire external advisory services when it believes that these services cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence, and may solicit personal cooperation and reports from

any employees or members of Senior Management if deemed necessary in order to comply with its functions in relevant matters.

The Committee operates with full autonomy in performing its functions and is led by its Chair, who is responsible for calling meetings, deciding the matters to be included on the agenda and requesting the attendance of any of the Bank's employees, members of Senior Management or third parties so as to better perform its functions. In any event, the Committee relies on the full cooperation of the Bank's executive areas and on the support of the Board of Directors, to which it reports its activities on a regular basis.

The Audit Committee met on a total of 15 occasions over the course of the 2019 financial year, with all of its members participating in the meetings either in person or duly represented. Similarly, top executives from the areas responsible for the matters submitted for the Committee's consideration participated in the Committee's meetings when necessary and when duly invited to do so. They only intervened on the points of the agenda for which they were invited, along with the external advisers that the Committee deemed necessary to hire in order to best perform its functions.

Functions:

The functions of the Committee are detailed in Article 5 of the specific Regulations for the Audit Committee. The Committee's main duties are summarised as follows:

- To inform the General Shareholders' Meeting of any issues raised in relation to the matters within the Committee's remit and, in particular, on the result of the audit, explaining how the audit has contributed to the integrity of the financial information and the role played by the Committee in this process.
- To oversee the process for drafting and reporting financial information and submit recommendations or proposals aimed at safeguarding its integrity to the Board of Directors.
- To analyse, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial and related non-financial information.
- To review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and to the presentation of the financial statements.
- To oversee the effectiveness of the Bank's internal control and risk management systems in the process of preparing and reporting financial information, including tax-related risks.
- With regard to the Internal Audit function: a) To propose the selection, appointment, re-appointment and removal of the Head of the Internal Audit area to the Board of Directors; b) To monitor the independence, effectiveness and functioning of the Internal Audit area; c) To analyse and establish targets for the Head of the Internal Audit area and evaluate their performance, presenting its proposal on both matters to the Remunerations Committee in order to ensure adherence to the remuneration model applicable to the Group's Senior Management at any given time, submitting these proposals to the Board of Directors; d) To ensure that the Internal Audit area has the necessary material and human resources to effectively perform its functions; and e) To analyse and, where appropriate, approve the annual work plan for the Internal Audit area, as well as any other occasional or specific plans that may need to be implemented due to regulatory changes or as required for the organisation of the Group's business.

- To be aware of the audited units' degree of compliance with corrective measures previously recommended by the Internal Audit area and inform the Board of those cases that may involve a significant risk for the Group.
- To submit any proposals for the selection, appointment, re-appointment and replacement of the external auditor to the Board of Directors, taking responsibility for the selection process in accordance with applicable regulations, as well as for the engagement terms, and periodically obtain information from the external auditor on the external audit plan and its execution, in addition to preserving its independence in the performance of its functions.
- To establish appropriate relations with the auditor in order to receive information on any matters that may jeopardise its independence and any other matters in connection with the auditing process, as well as those other communications provided for by law and in auditing standards.
- To issue, on an annual basis and before the audit report is issued, a report expressing an opinion on whether the auditor's independence has been compromised.
- To verify, at appropriate intervals, that the external audit schedule is being carried out in accordance with the contract conditions and is thereby meeting the requirements of the competent official authorities and corporate bodies.
- To report on all matters within its remit as provided for by law, the Bylaws, the Regulations of the Board of Directors and the Regulations, prior to any decisions that the Board of Directors may be required to adopt, and in particular on: financial information that the Bank is required to publish; economic conditions and the accounting impact of relevant corporate operations and structural modifications; the creation or acquisition of shares in special purpose entities or in entities domiciled in territories considered to be tax havens; and related-party transactions.

1 Activity of the Committee

The main issues that were raised in relation to matters within the Committee's remit, as well as the Committee's main activities conducted over the course of the 2019 financial year, are listed below:

❖ Financial and accounting information

In 2019, in accordance with the functions stipulated in the Regulations of the Audit Committee, the Committee analysed and monitored the process of preparing and submitting the financial statements and management reports of both the Bank and of its consolidated Group that were contained in the annual, half-yearly and quarterly reports, prior to their submission to the Board and in sufficient depth to ensure their accuracy, reliability, sufficiency and clarity. The Committee had all of the information that it required, with the level of aggregation deemed appropriate, and also had the necessary support from the Group's Senior Management, especially from the area responsible for Accounting functions, and from the Bank and Group External Auditor, the manner of which will be described below.

In accordance with the above, during the 2019 financial year, the Committee was made aware of and complied with the accounting policies, practices and principles and with the valuation criteria followed by the Bank and the Group during the process of preparing and submitting financial information. It also verified that said principles, practices and criteria corresponded to those stipulated by the relevant regulators and supervisors and that they were applied correctly, as well as reviewing the accurate demarcation of the consolidation perimeter.

During 2019, the Committee was also made aware of the amendments envisaged in relation to the accounting regulations applicable to the Group's financial information, among other matters. These included the entry into force of the new accounting standard IFRS 16 and the amendments made to International Accounting Standard (IAS) 12, as well as the main ways in which their implementation had impacted the Group's and Bank's financial information and income statement.

In relation to accounting standard IFRS 9, the Committee has also overseen the procedure for calculating the estimation for provisions for insolvencies and the implementation of the new accounting regulations for provisions, as well as their impact on the Group's financial statements.

Similarly, the Committee performed a detailed review of the information of prudential relevance and of the registration documents drafted by the Bank, prior to their submission to the relevant domestic and international regulators, highlighted the Registration Document at the Spanish National Securities Market Commission, the Form 20-F of the Securities Exchange Commission (SEC) and the Prudential Relevance Report.

Furthermore, the Committee monitored the evolution of the main figures of the balance sheet, profit and loss account, and capital ratios of the Bank and of the Group each month, and analysed any additional information deemed appropriate in order to clarify any doubts that may have arisen during its reviews, prior to submitting the information for consideration by the Board of Directors.

It should be noted that the Committee offered its opinion to the Board of Directors on the Annual Financial Statements of the Bank and of the consolidated Group for the 2019 financial year. The opinion of the Committee was that, with regard to content and form, the statements complied with all of the requirements stipulated by the regulatory authorities and had been prepared in accordance with the best domestic and international practices and recommendations on this matter as well as with current legislation.

The Committee also expressed its favourable opinion on the contents of the Management Report for BBVA and for the companies that make up the BBVA Group, which included an accurate analysis of the business evolution and results of the Bank and its Group, along with a description of the main risks and uncertainties that they faced, as well as the non-financial information required by the applicable regulations.

The Management Report of the Bank and of its consolidated Group also included the non-financial information required by the relevant legislation which was analysed by the Audit Committee who expressed its agreement to it; specifically by Act 11/2018 of 28 December, which, generally speaking, included the information needed to understand the Group's performance, results and situation and the impact that its activity had on environmental and social issues relating to employees, human rights and the fight against corruption and bribery, among other matters.

As such, at the meeting held on 7 February 2020, the Audit Committee proposed to the Bank's Board of Directors that it prepare BBVA's Annual Financial Statements and management reports, both individual and consolidated, for the 2019 financial year, under the same terms for which they were submitted to vote at the Bank's General Shareholders' Meeting, and that they be accompanied by the corresponding audit report issued by the External Auditor, KPMG Auditores, S.L., in which it expressed its favourable and unqualified opinion.

Furthermore, in accordance with the best practices and provisions of Article 5 of its Regulations, the Committee ensured that the External Auditor met with the Board of Directors in person to present their audit opinion on the aforementioned Annual Financial Statements for the 2019 financial year and on the evolution of the accounting, financial and risk situation of the Bank and its Group.

❖ Internal control systems

The Committee has also been informed of internal control systems established by the BBVA Group and the risk management systems for the process of preparing the financial information, including tax systems.

Furthermore, the Committee supervised and was made aware of the different reports prepared, both internally and by the Group's External Auditor, on the effectiveness of the internal control on the Financial Information Systems.

The Committee has taken a favourable view of its conclusions that the BBVA Group has a sound and reliable financial information internal control model, compliant with the requirements stipulated by applicable regulations, which guarantees that financial information is prepared correctly, using the necessary procedures and controls to that effect.

❖ Relations with the external auditor

Given that the external audit is one of the core elements in the chain of controls established to ensure the quality and integrity of the financial information, the Audit Committee has established appropriate relations with the External Auditor, KPMG Auditores, S.L.

At all Committee meetings held during 2019, those in charge of the External Auditor provided the Audit Committee with first-hand information about its strategy and work plan, degree of progress in the development of its activities and its most significant findings.

Furthermore, with regard to auditing work, the Committee:

- Has been informed of and followed the progress of the work carried out by the External Auditor over the course of the financial year, including the planning of the external audit, the scope of the tests performed, the proposed work schedules, the auditor's judgements regarding the quality and applicability of accounting criteria and principles, the auditor's opinion on the handling of relevant corporate operations, the materiality figures for the audit, the results of the work carried out reflected in reports submitted to the Committee and the 2019 fee proposal.
- Has also relied on the participation of those in charge of the External Auditor at all Committee meetings over the course of the financial year and held business meetings with the External Auditor in order to analyse certain specific issues related to the information subject to audit.
- Has ensured that internal procedures are implemented to safeguard against situations that may give rise to conflicts of the independence and objectivity required by the External Auditor and has also guaranteed that the External Auditor had access to all of the information they needed to perform their work and that they received full cooperation from all of the Group's areas.
- In addition, the Committee has verified the statements made by the External Auditor confirming their independence and regarding their access to any information that they may have required pertaining to the Bank or its associated entities. It has also issued the corresponding report on the External Auditor's independence, pursuant to the requirements stipulated by applicable regulations, which are attached to this report in accordance with good corporate governance best practices.

It should also be noted that the Committee has remained in constant contact with those in charge of the External Auditor in order to facilitate the Bank's response to any potential incidents that may have arisen during the course of their work. The Committee has also been made aware of the External Auditor's recommendations and of the plans adopted by the Group's entities for their implementation.

Similarly, since the 3-year period for which KPMG Auditores, S.L. had been appointed auditor for BBVA and its Consolidated Group at the General Meeting ended in 2019, the Audit Committee analysed and assessed the quality of the work performed by the auditor, submitting to the Board the proposal for its re-election as auditors for the Bank and its Group for 2020, which has been in turn submitted to the 2020 General Meeting.

Likewise, the Audit Committee initiated a tender process for, where appropriate, the possible appointment of a new auditor from the 2021 financial year. Following the tender process, the Committee

concluded that KPMG Auditores, S.L. was the firm that could offer a high-quality service that was best suited to the current needs, and submitted to the Board its recommendation and preference for this auditing firm.

❖ Internal Audit

In terms of the functions performed by the Group's Internal Audit Area, regarding which the Area Head reports directly to the Audit Committee at all of its meetings, it has supervised and approved the Annual Internal Audit Plan, which is scheduled for 2020 and which forms part of the Area's Three-Year Plan for the financial years 2020 to 2022.

Furthermore, the Committee has carried out a regular monitoring on the priorities and work envisaged in relation to the main risks set out in this Plan, as well as an analysis and supervision of the organisational measures established in the Area in order to better perform its functions.

Similarly, the Committee has overseen the preparation and content of the Strategic Plan designed by the Internal Audit for the period 2020 to 2024, which was also approved by the Committee.

In terms of monitoring the effectiveness of the Internal Audit area, it has been informed of the results of its most relevant work, of any weaknesses and possibilities for improvement, as well as of the reports issued by this area upon completion of its actions.

Furthermore, the Committee was made aware of the recommendations made by the Internal Audit as a result of its review work, as well as of the specific action plans defined and implemented for their resolution, and regularly monitored those most relevant to the Bank and its Group.

The Committee was also made aware of the recommendations at the implementation process regarding the external evaluation of the Internal Audit function, which was performed by an external consultant at the request of the Audit Committee in order to incorporate best practices on the matter at the Internal Audit functions.

Similarly, the Committee has analysed the engagements of the so-called additional audit services, which had been pre-approved by the Chairman of the Committee and submitted by the Internal Audit area to the Committee, relating to the independence requirements provided for by the regulations governing account auditing activities and the provisions of the Committee's own Regulations in respect thereof.

Finally, the Committee has established objectives for the Head of Internal Audit and evaluated their performance, presented its proposal on both matters to the Remunerations Committee in order to ensure adherence to the remuneration model applicable at any given time to the Group's Senior Management.

❖ Legal risk and tax policy and strategy

On a quarterly basis throughout 2019, the Committee supervised and monitored the Group's tax management, including the main tax figures and total tax contribution. The Committee has also monitored the implementation of the Group's tax policy and strategy. Finally, it has monitored the main issues relating to the Group's legal risks resulting from regulatory changes or ongoing litigation and, where applicable, analysed their potential impact on the financial statements of the Bank and its Group.

❖ Corporate operations

In accordance with the provisions of Article 5.16 of its Regulations, in relation to the Committee's function of being made aware of any relevant corporate operations or structural changes that the Entity plans to carry out so that it may carry out an analysis and submit a preliminary report to the Board of

Directors on the economic conditions, accounting impact and, in particular, the proposed equation of exchange, the Committee reviews and, where applicable, submits its favourable report on the accounting considerations of relevant corporate operations agreed during the financial year to the Board of Directors. To this end, it relies on the information and analysis from the Bank's executive areas and, where applicable, the cooperation of any external experts that it has deemed appropriate.

❖ **Related-party transactions**

In accordance with the provisions of Article 5.16 of its Regulations, prior to the decisions that, when applicable, are to be adopted by the Board of Directors, one of the Audit Committee's functions is to report on the related-party transactions that BBVA, or the companies in its Group, carry out with directors or shareholders who hold a significant shareholding.

In performing its aforementioned supervisory function, over the course of the 2019 financial year, the Audit Committee did not learn of the execution of any related-party transactions that, pertaining to the Entity's ordinary trading or exchange activities, were not executed under normal market conditions or which were not of significance to the Bank or its Group.

All of the aforementioned issues, together with other matters within its remit, were subject, throughout the year, to punctual reports to the Board of Directors, in those matters that have required it, as well as quarterly reports by the Chair of the Audit Committee with the main activity performed by the Committee during the period.

Furthermore, the Audit Committee analysed at its meeting on 28 January 2020 the Committee's corresponding report on activities relating to the 2019 financial year which, in compliance with the provisions of the Regulations of the Board of Directors, the Audit Committee submitted to the Board for the purpose of assessing its functioning.

Following analysis of the aforementioned report on activities, the Bank's Board of Directors proceeded to assess the quality of the work performed by the Committee, in compliance with its attributed functions, concluding that the Audit Committee had performed its duties in a satisfactory manner; consequently, the Board of Directors assesses the quality and efficiency of its functioning in a favourable manner.

APPENDIX

AUDIT COMMITTEE REPORT ON THE INDEPENDENCE OF KPMG AUDITORES, S.L. AS EXTERNAL AUDITOR FOR BBVA AND ITS GROUP

INTRODUCTION

In accordance with Article 529 quaterdecies 4 f) of Royal Legislative Decree 1/2010 of 2 July, approving the consolidated text of the Spanish Corporate Enterprises Act (hereinafter, the **Corporate Enterprises Act**), and Article 5.11 of the Regulations of the Audit Committee of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, **BBVA** or the **Bank**), the Audit Committee issues this report on the independence of KPMG Auditores, S.L., the auditor of the accounts of BBVA and of its Group, prior to issuing the audit report for the annual financial statements for the 2019 financial year. (KPMG Auditores, S.L., shall hereinafter be referred to as **KPMG** or the **External Auditor**).

ANALYSIS ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR

According to the functions stipulated in Article 5 of the Regulations of the Audit Committee, this Committee constantly monitors the process of preparing financial statements for the purpose of ascertaining the accuracy, reliability, sufficiency and clarity of the financial statements of the Bank and its consolidated Group. In order to do this, it is assisted by the Bank's Senior Management and, most notably, by the area responsible for Accounting, as well as by the External Auditor.

To this end, the Audit Committee maintains the appropriate relationships with the External Auditor in order to receive information about any such issues that may pose a threat to its independence and about any other issues related to account auditing projects.

The Committee therefore maintains direct contact with those in charge of the External Auditor, which attends all of the Audit Committee's meetings during the financial year without the presence of Bank's Senior Managers.

The Committee has also monitored the independence of the External Auditor in two ways:

- (i) By ensuring that the External Auditor's warnings, opinions and recommendations cannot be compromised and that the External Auditor's compensation for its work compromises neither its quality nor its independence, in compliance with the account auditing legislation.
- (ii) Establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or whose provision by the External Auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the External Auditors; in this case, the Committee's agreement will be required, but this decision may be delegated in advance to its Chair.

With regard to the provisions of aforementioned Article 529 quaterdecies 4 f) of the Corporate Enterprises Act, on 7 February 2020, prior to the issuance of the audit report, BBVA's Audit Committee received a written statement from KPMG, in its capacity as External Auditor for BBVA and its Group, in which it confirmed its independence from BBVA and the entities directly or indirectly linked to the Bank (BBVA Group), in accordance with the requirements stipulated by the regulations governing account auditing activities and, more specifically, in compliance with the provisions of Spanish Law 22/2015, of 20 July, on Account Auditing. In view of this, and in the absence of any additional information casting doubt on this declaration, the Audit Committee understands that there are no objective reasons to question the confirmation of independence given by KPMG.

Furthermore, in relation to the additional services provided by the External Auditor over the course of the 2019 financial year, the Committee states that these services are those described in the Appendix

to the independence statement issued by KPMG on 7 February 2020, for the amount and in accordance with the breakdown mentioned therein, and that the External Auditor has not provided any additional services to the BBVA Group other than those contained in said Appendix, as verified in the corresponding report issued by the Group's Internal Audit area and sent to this Committee.

CONCLUSION

Pursuant to the foregoing and in compliance with the provisions of Article 5 of the Regulations of the Audit Committee, this Committee expresses its favourable opinion of the independence of the External Auditor, having deemed, in this regard, the additional services provided by the External Auditor during the 2019 financial year, considered individually and as a whole, as derived from the analyses conducted by both the External Auditor and by the Bank's Internal Audit area, to be compliant with the independence requirements stipulated by the applicable legislation concerning account auditing.

Activity of the Risk and Compliance Committee

In accordance with article 48 of the Bylaws and article 35 of the Regulations of the Board of Directors, and in order to best perform its functions, the BBVA Board of Directors has formed a **Risk and Compliance Committee** to assist the Board of Directors in carrying out its functions in decision-making; monitoring, supervision and control relating to risks, internal control (including compliance), and supervisory communications.

In addition to the provisions of the Bylaws, the Regulations of the Board of Directors and current legislation, the Committee is regulated by the Regulations of the Risk and Compliance Committee, the current version of which was approved by the Board of Directors on 29 April 2019 and regulates, inter alia, its purpose, its composition, its organisational and operational rules and its functions. The Bylaws, the Regulations of the Board of Directors and the Regulations of the Risk and Compliance Committee are all available on the BBVA corporate website (www.bbva.com).

■ Composition

The Regulations of the Risk and Compliance Committee stipulate that the Committee will consist exclusively of non-executive directors, a majority of whom will be independent directors, the Chair included.

The members of the Committee are appointed by the Board of Directors and possess the appropriate knowledge, skills and experience to understand and control the Entity's risk strategy. The profiles of each member of the Committee, including the information regarding their knowledge and experience, is available on the Entity's website.

At the end of the 2019 financial year, the Risk and Compliance Committee was comprised of the following directors:

Director	Role	Status
Juan Pi Llorens	Chair	Independent
José Miguel Andrés Torrecillas	Member	Independent
Jaime Félix Caruana Lacorte	Member	Independent
Carlos Loring Martínez de Irujo	Member	External
Susana Rodríguez Vidarte	Member	External

■ Operation

In accordance with the Regulations of the Board of Directors and its own Regulations, the Risk and Compliance Committee meets whenever convened by its Chair, who is empowered to call the Committee and to set the agenda for its meetings, as per the procedure on the calling of ordinary and extraordinary meetings set out in the Regulations of the Risk and Compliance Committee.

The Committee has established an annual calendar of meetings, taking into account the amount of time to be devoted to the different tasks.

Executives responsible for the areas that manage matters within the Committee's remit may be called to meetings. This particularly applies to the Regulation & Internal Control area and the Risks area, and, at the request of the heads of these areas, individuals within the Group who have knowledge of or responsibility for the matters included on the agenda, when their presence at the meeting is deemed appropriate.

The Committee may also call any other Bank employee or manager, and even arrange for them to appear without the presence of any other manager. However, efforts will be made to ensure that the

presence of individuals outside the Committee during these meetings is limited both to cases where it is necessary and to the items on the agenda for which they have been called.

The Committee may also engage external advisory services for relevant issues when it takes the view that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

Likewise, the Committee may solicit personal cooperation and reports from any employee or member of the Group's Senior Management, as and when they are deemed necessary in order to carry out its functions in relevant matters.

The Committee performs its functions with total operative autonomy, led by its Chair, who, in order to promote a diversity of views that enriches the Committee's analyses and proposals, seeks to ensure that all members participate freely in deliberations, promoting both constructive dialogue amongst them and the free expression of their views.

When carrying out its functions, the Committee has the full cooperation of the Bank's executive and support areas at all times. This is in addition to the support of the Board of Directors, to which the Chair of the Committee reports regularly (quarterly at a minimum) on activities undertaken and agreements adopted by the Committee in carrying out its functions.

The Risk and Compliance Committee also has at its disposal the cooperation of the Technical Risk Secretariat, which is integrated into the Internal Risk Control unit, which, in turn, is a part of the Regulation & Internal Control area and oversees and coordinates the bulk of the information made available to the Committee from the various areas of the Bank.

During the 2019 financial year, the Risk and Compliance Committee met on 21 occasions. Every Committee member attended all of the meetings held, either in person or duly represented.

The managers of areas and units responsible for the matters covered also participated in these meetings. In particular, the Committee has received a monthly report from the head of the Risks area, which has been accompanied since May by a monthly report from the head of the Regulation & Internal Control area, following changes to the Committee's functions as a result of the changes to the Corporate Governance System that were rolled out during the financial year.

In addition, depending on the issues covered at each meeting, the heads of different types of financial risks; the heads of the Compliance, Non-Financial Risks, and Internal Risk Control units in the corporate field; and the risk managers for the Group's main geographical areas have appeared before the Committee.

■ Functions

The main role and functions of the Risk and Compliance Committee are set out in article 35 of the Regulations of the Board of Directors and article 5 of the Regulations of the Risk and Compliance Committee, respectively.

With particular regard to **Risks**, the Committee has the following functions:

- To analyse, bearing in mind the strategic bases set out at any time by both the Board of Directors and the Executive Committee, and submit proposals to the Board on the Group's risk strategy, control and management, including the Risk Appetite Framework, the capital adequacy assessment process (ICAAP) and the liquidity adequacy assessment process (ILAAP).
- To address risk management and control policies for the Group's various risks, including financial risks and, to the extent that they do not correspond to another Board Committee, non-financial risks.

- To monitor the evolution of the Group's risks and their degree of compatibility with established strategies and policies as well as with the Risk Appetite Framework.
- To verify that the Group has the means, systems, structures and resources needed to implement its risk management strategy.
- To participate in the process of establishing remuneration policy, ascertaining that it is consistent with adequate and effective risk management.
- To analyse risks associated with the Group's strategic projects or with corporate transactions that will be submitted to the Board of Directors or, where appropriate, the Executive Committee for consideration.
- To analyse the risk transactions that must be submitted to the Board of Directors or the Executive Committee for consideration.
- To examine whether the prices of assets and liabilities offered to customers fully take into account of the Bank's business model and risk strategy.
- To ensure the promotion of risk culture across the Group.
- To be briefed on significant issues relating to legal risks that may arise during the Group's operations.
- To supervise the Group's criminal risk prevention model.

In the area of **Regulation & Internal Control**, it has the following functions:

- To oversee the effectiveness of Regulation & Internal Control function and to monitor its activity and that of its units (e.g., Compliance, Non-Financial Risks and Internal Risk Control).
- To ensure compliance with applicable regulations in terms of money laundering, conduct on securities markets, data protection, and the scope of the Group's activities with respect to competition and to be briefed on breaches of regulations that may occur.
- To review and supervise the systems under which Group professionals may confidentially report any irregularities in financial information or other matters.
- To be apprised of reports, documents or communications of supervisory bodies and to verify that their instructions, requirements and recommendations are met in a timely manner.

In addition, the Committee is to report, prior to any decisions that may have to be adopted by the Board of Directors, on all matters within its remit as provided for in the law, the Bylaws, the Regulations of the Board of Directors and the Regulations of the Committee.

■ Activity of the Committee in 2019

The main activities carried out by BBVA's Risk and Compliance Committee throughout the 2019 financial year, which enabled it to adequately fulfil all of its assigned functions, are detailed below:

❖ Analysis of proposals on risk strategy, control and management

Among the functions stipulated in the Regulations of the Risk and Compliance Committee is that of conducting analyses and submitting proposals to the Board on the Group's risk strategy, control and management, doing so on the strategic bases set out at any time by the Board of Directors and the Executive Committee.

These proposals identify, in particular, the Group's risk appetite and the level of risk considered acceptable in terms of the risk profile and capital at risk, broken down by the Group's businesses and areas of activity.

They include, firstly, **the BBVA Group Risk Appetite Framework**. In this regard, the Risk and Compliance Committee reviewed the proposed risk statements, metrics and limits in the Group Risk Appetite Framework for the 2019 financial year prior to its consideration and approval by the competent corporate bodies. This review was performed in accordance with the Risk Appetite Framework governance system that was in place before the functions of some committees were reorganised following the changes made to the Bank's Corporate Governance System.

Over the course of several meetings, the Risk and Compliance Committee also analysed the proposed BBVA Group Risk Appetite Framework for the 2020 financial year, drafted in accordance with the strategic bases established by the Executive Committee, and then submitted it to the Board of Directors for its consideration and, where appropriate, approval. The Risk and Compliance Committee also analysed and submitted to the Board of Directors for its consideration and, where appropriate, approval, an **update the General Risk Management and Control Model of the BBVA Group**.

To this end, the Committee was provided with all the information required to carry out its analysis and received support from the Head of Global Risk Management and the other executives in the Risk area, who assisted in the preparation of the proposals.

The Risk and Compliance Committee also reviewed the **internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP)** during the 2019 financial year, in order to monitor the preparation of stress scenarios and to verify their alignment with the approved Risk Appetite Framework. It also reviewed the proposals for the capital adequacy statement (CAS) and liquidity adequacy statement (LAS) required by the regulator, prior to their submission for consideration by the Executive Committee and the Board of Directors.

In the course of this work, the Committee was assisted by the Risk and Finance areas, among others, which helped to ensure that the Group's situation in the areas analysed was accurately reflected.

❖ **Review and update of the Group's corporate risk management and control policies**

In the course of executing its functions, the Risk and Compliance Committee participated in the annual review and updating of the **Group's various corporate risk management and control policies**, to ensure that they remained consistent with the Group's General Risk Management and Control Model.

The existing corporate risk policies, the updates to which were agreed by the Committee in 2019, relate to the control and management of wholesale credit risk, retail credit risk, liquidity and funding risk, structural interest rate risk, structural exchange rate risk, structural equity price risk, market risk in market activities, insurance risk, model risk and non-financial risks.

In order to perform this review, the Committee was provided with all the information required to carry out an adequate and comprehensive analysis of the policies, and sufficient time to formulate its suggestions, changes and comments regarding the updated texts of the policies initially presented by the various units within the Risk area and by the Non-Financial Risks unit which, in turn, forms part of the Regulation & Internal Control area.

❖ **Regular monitoring of the evolution of Group risks**

During the 2019 financial year, the Risk and Compliance Committee **monitored the evolution of the various risks to which the Group is exposed**.

This monitoring covered both financial risks (credit risk, structural risk, market risk, insurance risk, etc.) and non-financial risks (operational risk). It was carried out within the framework of the BBVA Group General Risk Control and Management Model and in accordance with the Risk Appetite Framework approved by the corporate bodies.

To this end, the Risk and Compliance Committee received and analysed information from the Risk and Regulation & Internal Control areas at appropriate intervals and received support from the Head of Global Risk Management, the Head of Regulation & Internal Control, from the managers for each type of risk at the corporate level and from the risk directors in the Group's main geographical areas. The Committee also engaged in direct dialogue and discussion with each of these speakers.

All of this provided the Risk and Compliance Committee with direct knowledge of the Group's risks, both globally and locally, allowing it to execute its function of monitoring the evolution of all the Group's risks, regardless of the type of risk, the geographical or business area in which it originates, or the sector or portfolio to which it pertains.

In the performance of this function, the Risk and Compliance Committee also regularly monitored the compliance of the metrics and limits established for the 2019 financial year, with the necessary frequency and level of detail to ensure adequate monitoring of said indicators.

To further enhance its monitoring of the Risk Appetite Framework, the Committee received information about key internal and external variables that do not directly form part of the Risk Appetite Framework but affect its compliance. All of this was carried out prior to follow-up by the other corporate bodies with risk functions.

In addition to the foregoing, the Risk and Compliance Committee received monthly reports on the main credit risk operations authorised by the Risk area committees in their respective areas of responsibility, as well as the Group's most significant credit exposures. Each month, the Risk and Compliance Committee was also provided with information about the qualitative risk operations authorised by the Risk area.

❖ **Group Recovery Plan**

In the context of its preliminary reporting functions with regard to decisions to be taken by the Board of Directors on all matters within its remit, the Risk and Compliance Committee participated in the review of the **Group Recovery Plan**, in order to assess its alignment with the approved Group Risk Appetite Framework, prior to its submission for consideration and, where appropriate, approval by the corporate bodies. To this end, the Committee received the full assistance of the Risk and Finance areas, among others.

❖ **Examination of the methods, systems, structures and resources of the Risk area**

The Risk and Compliance Committee was informed by the Head of Global Risk Management of the **means, systems, structures and resources employed by the Risk area**, and of the incentive system used and the main technology projects under way, the objective of which is to provide the area with an infrastructure and processes that foster the Group's strategic priorities and, in particular, the incorporation of the Risk Appetite Framework into the management of the risk life cycle.

As a result, the Committee was able to verify that the Group's means, systems, structures and resources are in line with best practices and enable the Group to execute its risk management strategy and to ensure that the risk management mechanisms in place are adequate with regard to the strategy.

The Committee also confirmed that the Risk area is functioning properly and that it provides the Committee with the information it needs to assess the Group's risk exposure at any given moment, which in turn allows the Committee to properly exercise the risk monitoring, supervision and control functions with which it has been entrusted.

❖ Participation in the establishment of the remuneration policy

The Committee participated in establishing the multi-year performance indicators for the variable remuneration of Identified Staff and the corresponding scales of achievement, analysing their alignment with sound, effective and prudent risk management.

❖ Risk analysis associated with corporate transactions

The Risk and Compliance Committee analysed the financial and non-financial risks associated with **corporate transactions** prior to their submission for consideration by the Executive Committee. To this end, the Committee was supplied with reports on these transactions by the different areas of the Bank within their respective remits, and was supported by the Head of Strategy & M&A.

❖ Additional monitoring and control functions

One of the Risk and Compliance Committee functions set out in its Regulations is to **determine whether the prices of assets and liabilities offered to customers fully take into account the Bank's business model and risk strategy**.

In this regard, in 2019, the Committee received regular reports on the evolution of metrics and on profitability and capital analyses, which assess how the resulting pricing in financing and lending operations align with the risk strategy and risk transfer in the Group.

Additionally, the Committee monitored the profitability of portfolios and businesses and the performance of the profitability indicators incorporated into the Entity's Risk Appetite Framework. All of this enabled the Committee to confirm that the prices of the assets and liabilities offered to customers were aligned with the Bank's business model and risk strategy.

The Risk and Compliance Committee also verified the progress and effectiveness of the various **actions and initiatives designed by the Risk area to strengthen the Group's risk culture**, in order to enable the Group to perform its functions in a secure environment, and to encourage the mitigation of the risks inherent in the Bank's activities.

Furthermore, the Risk and Compliance Committee received information on the main **legal risks** to which the Group is currently exposed and reviewed the Entity's activity regarding **personal data protection**.

The Committee was also informed of the key elements of **the BBVA Group's Crime Prevention and Criminal Risk Management Model**, in addition to the progress made with regard to the model and the main strands of work involved.

❖ Supervision, monitoring and control of the activity of the Regulation & Internal Control function

As part of the new functions assigned to the Risk and Compliance Committee following the implementation of changes to the Corporate Governance System, the Committee must **monitor the effectiveness of the Regulation & Internal Control function**, which reports directly to the Board of Directors through the Risk and Compliance Committee and which comprises the Regulation, Supervisory Relations, and Compliance areas, in addition to the Internal Risk Control and Non-Financial Risks areas.

The Committee has carried out this task since May 2019, monitoring the effective functioning of the function, participating in **matters relating to the head of the function** (such as their appointment and the setting of their objectives) and **ensuring that the function has the resources necessary** to properly perform its functions.

To this end, the Committee received monthly reports from the head of the Regulation & Internal Control area regarding the **activity carried out by each of the units in the area**, without prejudice to the periodic report the Committee received directly from the heads of Compliance, Non-Financial Risks and Internal Risk Control.

❖ **Monitoring of compliance with applicable regulations**

One of the functions assigned to the Risk and Compliance Committee following the reorganisation of functions triggered by changes to the Bank's Corporate Governance System, is **to ensure compliance with applicable regulations** in matters relating to money laundering, conduct on the securities market, data protection, and the scope of the Group's actions in respect of competition.

To this end, the Committee regularly reviewed the activity of the Compliance area during the financial year on the basis of the information provided directly to it every month by the head of the Compliance unit. The Committee monitored the results of the unit's inspections and the progress made in implementing planned measures in the various areas of action (e.g. conduct, markets and money laundering).

The Committee also continuously monitored matters relating to the MiFID regulation and banking transparency, received reports from compliance experts and, in general, was kept informed of all compliance-related issues that may have arisen as a result of the Group's activity.

The Committee was also kept informed of the Compliance function's approved Annual Plan, regularly assessing its degree of progress and achievement.

In the performance of its functions, the Committee received information from the head of the Compliance unit regarding the operation of the **Whistleblowing Channel** and the most noteworthy developments in this regard.

❖ **Monitoring of supervisory communications and verification of their timeliness and suitability**

The head of the Regulation & Internal Control area, which includes the Supervisory Relations unit, provided the Risk and Compliance Committee with information about the main **communications and inspections (domestic and foreign) carried out by the Group's supervisory authorities**.

In particular, the Committee was informed, where appropriate, of the recommendations, weaknesses or areas for improvement identified by the different supervisory bodies, and of the action plans and other measures established by the executive areas in question to resolve these in a timely manner

All the above activities, in addition to other matters within its remit, were detailed in the Committee's 2019 activity report. This report, together with the quarterly presentations made by the Committee Chair to the Board of Directors throughout the financial year and the Committee's activity reports made available to the directors every month, kept the Board informed of the activity carried out by the Committee and, ultimately, enabled the Board to evaluate its functioning.

The Board of Directors received the report of the activity of the Committee on 19 December 2019, and evaluated the quality of the work carried out by the Risk and Compliance Committee in line with the functions assigned to it, assessing the quality of its work and the effectiveness of its functioning very positively.

Activity of the Appointments and Corporate Governance Committee

In accordance with article 48 of the Bylaws and article 33 of the Regulations of the Board of Directors, BBVA's Board of Directors, in order to better perform its functions, has set up an Appointments and Corporate Governance Committee, which assists the Board in matters relating to the **selection and appointment** of members of the Board of Directors; the **assessment of performance**; the drafting of **succession plans**; the Bank's **corporate governance system**; and the supervision of the **conduct** of directors and any conflicts of interest that may affect them.

In addition to the provisions set out in the legislation and in the Regulations of the Board of Directors, the Committee's function, operation rules and composition are set forth in its own Regulations, approved by the Board of Directors on 29 April 2019 (which is available on the Bank's website www.bbva.com).

Furthermore, in order to better perform its functions, the Appointments and Corporate Governance Committee takes into consideration applicable best practices and recommendations that have been issued by both national and international bodies such as the joint European Securities Markets Authority and European Banking Authority Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12) and the National Securities Market Commission's Technical Guide 1/2019 on nomination and remuneration committees.

Composition

In accordance with the Regulations of the Board of Directors, the Appointments and Corporate Governance Committee shall comprise a minimum of three members who will be appointed by the Board of Directors. All members must be non-executive directors, and the majority, including the Chairman, must be independent directors.

At the close of financial year 2019, the Appointments and Corporate Governance Committee was comprised of the following directors:

Director	Role	Status	Date of appointment as a Committee member
José Miguel Andrés Torrecillas	Chairman	Independent	31/03/2016
Belén Garijo López	Member	Independent	27/06/2018
José Maldonado Ramos	Member	External	25/05/2010
Juan Pi Llorens	Member	Independent	29/04/2019
Susana Rodríguez Vidarte	Member	External	28/03/2007

The members of the Committee are appointed by the Board of Directors, seeking to ensure that they have the required commitment, capacity and experience to perform their duties. The profiles of each member of the Committee, including the information regarding their knowledge and experience, is available on the Entity's website.

Operation

The Appointments and Corporate Governance Committee, in accordance with its own Regulations, will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings, in accordance with the proceeding set forth in the Regulations of the Appointments and Corporate Governance Committee for the calling of ordinary and extraordinary meetings.

The Committee performs its duties with full operative autonomy, and it is led by its Chair who, in order to promote a diversity of opinions that may enrich the analysis of the Committee's proposals, fosters the free participation of the Committee's members in the deliberations as well as constructive discussion amongst them, promoting the free expression of their opinions.

Executives responsible for the areas that manage matters within their remits may be called to Committee meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate.

The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager. Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings be limited to those cases where it is necessary and to the items on the agenda for which they are called.

The Committee met on eight occasions in financial year 2019, with all of its members participating in the meetings either in person or duly represented.

In addition, in implementation of the changes included in the Bank's Corporate Governance System during the year, the Committee has reported to the Board of Directors the activity performed by the Committee in each one of its meetings, by means of the reports made available to the Board's members in the first Board meeting held after such Committee meeting.

Functions

Pursuant to article 5 of the Regulations of the Appointments and Corporate Governance Committee, the Committee will have the following functions, inter alia:

- Submit proposals to the Board of Directors for the appointment, re-election or removal of independent directors and report on proposals for the appointment, re-election or removal of the remaining directors.
- Submit proposals to the Board of Directors on policies on the selection and diversity of the members of the Board of Directors.
- Establish a target for representation of the underrepresented gender on the Board of Directors and draw up guidelines on how to reach that target.
- Analyse the structure, size and composition of the Board of Directors, at least once per year, when assessing its operation.
- Analyse the suitability of the members of the Board of Directors.
- Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.
- Submit to the Board of Directors proposals for the appointment, removal or re-election of the Lead Director.
- Determine the procedure for assessing the performance of the Chairman of the Board of Directors, the Chief Executive Officer, the Board of Directors as a whole and the Board's committees, and to oversee its implementation.
- Report on the quality and efficiency of the performance of the Board of Directors.
- Report on the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, integrating for the latter the assessment made in this regard by the Executive Committee, for the purpose of the periodic assessment of both by the Board of Directors.

- Report on proposals for the appointment and removal of senior managers.
- Regularly review and assess the Bank's corporate governance system and, where applicable, submit proposals to the Board of Directors, for approval or subsequent submission to the General Shareholders' Meeting, on any amendments and updates that would contribute to its implementation and continuous improvement.
- Ensure compliance with the provisions applicable to directors contained in the Regulations of the Board of Directors or in the applicable legislation.

■ Activity of the Committee in 2019

The main activities carried out by BBVA's Appointments and Corporate Governance Committee in financial year 2019, in accordance with its functions, are described below:

❖ Appointment and re-election of directors

The activities of the Appointments and Corporate Governance Committee regarding the appointment and re-election of directors form part of the continuous refreshment process of the BBVA Board of Directors, through which the procedures for the selection, appointment and rotation of the Board aim to achieve a composition of the Corporate Bodies that equips them to carry out the functions assigned to them by the Law, the Bylaws, and the Board's own Regulations, in the best corporate interest.

To this effect, the Board will assess whether these procedures enable identification of the most suitable candidates at any given time, based on the requirements of the Corporate Bodies and taking into account its analysis of the structure, size and composition of the Board; whether they promote diversity of experience, knowledge, skills and gender; and, in general, that they are free from implicit biases that could result in any kind of discrimination.

In addition, BBVA has a Policy regarding the selection, appointment, renewal and diversity of the Board which establishes the requirements and objectives for the selection and appointment of Bank directors (hereinafter the **Selection Policy**).

As such, the Committee has established and monitors the refreshing process of the Board of Directors, with the aim of achieving a composition that includes directors with experience and knowledge of the financial sector and of the Group's culture and businesses, and that progressively includes individuals with different profiles and professional experience so as to increase diversity in the Bank's Corporate Bodies, in accordance with Regulations of the Board and the provisions of the Selection Policy.

This continuous refreshment process also takes into consideration the objectives set out in the aforementioned Selection Policy, seeking to ensure that independent directors account for at least 50% of the Board, the Board should be diverse in terms of international experience and gender, and seeking to ensure that progress is made towards the objective of having the number of directors be at least 30% female by 2020.

The foregoing will always take into account the system concerning directors' incompatibilities, limitations, suitability, independence and the absence of conflicts of interest set out in the Regulations of the Board of Directors, in applicable legislation and in the best practices on the matter, as well as the needs of the Corporate Bodies at any given time, in consideration of the corporate interest.

All of the above was first taken into consideration in early 2019, in relation to the appointments and re-elections proposed at the Annual General Shareholders' Meeting in March 2019, for which the Committee had decided that the directors subject to re-election (Chairman and an independent director) and ratification and appointment (Chief Executive Officer –*Consejero Delegado*–) met the suitability

criteria and had the knowledge, skills and experience required to carry out the role of member of the Board of Directors, and therefore resolved to submit the respective report or proposal, as appropriate.

In this vein, in 2019, the Committee has continued with the continuous refreshment process of the Corporate Bodies. In this regard, in 2019 it has implemented a process for seeking out and identifying potential candidates, which is based on its analysis of the structure, size and composition of the Board and takes into account the skills and diversity of the Board, the needs of the Corporate Bodies and the number and profiles of directors whose three-year statutory term ends in 2020.

For this process, which has favoured diversity in experiences, knowledge, skills and gender, and which was free from implicit bias potentially leading to any kind of discrimination, the Committee decided to seek the services of a top international firm specialising in the selection of directors, thereby ensuring that the process took place with the highest degree of professionalism and independence.

Accordingly, the Committee examined the preliminary candidates and subsequently studied a select group of potential candidates in greater depth. Its study included, inter alia, an analysis of their knowledge, skills, experience and other qualifications, as well as the status that each candidate would have as a director.

The above has resulted in the Appointments and Corporate Governance Committee's proposals and reports on appointments and re-elections, from which the proposals submitted by the Board of Directors at the 2020 General Shareholders' Meeting for the appointment of three new directors as well as two re-elections are derived.

❖ **Assessment of the Board of Directors, the Chairman and the Chief Executive Officer**

In compliance with its functions and remit set out in its Regulations, the Appointments and Corporate Governance Committee has analysed the structure, size and composition of the Board of Directors and informed the Board of its assessment of the quality and efficiency of the Board's operation, its assessment of the performance of duties by the Chairman of the Board, as well as that of the Chief Executive Officer during financial year 2019.

Similarly, the Committee has determined the procedure for assessing the Board, the Committees and the performance of the Chairman of the Board and of the Chief Executive Officer for financial year 2019.

To this effect, in 2019, the Committee conducted an ongoing analysis of the structure, size and composition of the Board, which included gender diversity as well as the knowledge, skills and experience required of its members. It also included the results from the evaluation of the directors' statuses, their independence and suitability, as well as the level of dedication of the Board members, particularly the Chairs for each Committee as these are required by the Bank for the proper performance of the director's duty and the function of the Corporate Bodies. This is all in accordance with the needs of Corporate Bodies at any given time and taking into consideration the Selection Policy. Finally, the Committee's conclusion was favourable with regard to the structure, size and composition of the Board of Directors.

Moreover, in terms of the quality and efficiency of the operation of the Board and its committees, the Committee has analysed, in addition to the foregoing, the operation of the Board during the financial year, the activities carried out in the fulfilment of its functions, the development of the information model and the decision-making process, the organisation and planning of meetings, as well as the operation and coordination of the committees, among other matters. Following this, the Committee has agreed to provide a favourable report on the quality and efficiency of the operation of the Board of Directors in financial year 2019.

The Appointments and Corporate Governance Committee has additionally analysed the performance of duties of the Chairman and the Chief Executive Officer in financial year 2019, deciding to integrate in

the case of the latter the assessment of the Executive Committee, having decided to report very favourably on the performance of duties of both roles in financial year 2019.

❖ **Review of directors' suitability**

Within the framework of the assessment of the performance of the members of their management body, credit institutions must continuously assess the suitability of the members of their Board of Directors. For the purpose of conducting this ongoing assessment, the Appointments and Corporate Governance Committee has analysed the suitability of the members of the BBVA Board of Directors to perform their duties and has also assessed whether there were circumstances that might affect the commercial and professional reputation of BBVA directors.

As a result of the assessment, the Committee reported favourably to the Board of Directors on the analysis carried out regarding the suitability of the Bank's directors to perform their duties.

❖ **Review of directors' independent status**

In accordance with its Regulations, the Appointments and Corporate Governance Committee is responsible for the annual review of each director's status so that it can be reflected in the Bank's Annual Corporate Governance Report.

The Committee has reviewed the independent status of all directors who, according to the definition established in Article 1 of the Regulations of the Board of Directors, had this status at the close of the financial year, analysed possible changes in their personal circumstances, and concluded that no reasons existed that would affect such condition. The Committee informed the Board of Directors so that these conclusions could be included in the Annual Corporate Governance Report.

❖ **Changes in the composition of Senior Management**

In 2019, the Committee analysed the proposals for the dismissal and appointment of members of the Bank's Senior Management submitted over the course of the financial year. The Committee analysed the required profile, the steps taken in the candidate identification process, the candidates under consideration, as well as the conclusions of the internal analysis of the selected candidate's suitability.

Finally, the Appointments and Corporate Governance Committee issued its report in favour of the proposed changes, which were subsequently approved by the Board.

❖ **Appointment of the Lead Director**

The Appointments and Corporate Governance Committee has deemed it appropriate to consider the appointment of a new Lead Director, as three years had elapsed since the appointment of the current Lead Director and in order to appropriately balance the composition of the Corporate Bodies. The Committee analysed the potential candidates' profiles, their background and experience on the Board, and their personal and professional characteristics. After this it agreed to submit to the Board its corresponding appointment proposal, which was finally approved by the Board of Directors.

❖ **Corporate Governance System**

During 2019, the Appointments and Corporate Governance Committee has carried out quarterly monitoring and oversight of the progress made in the implementation of the improvements of the Corporate Governance System, which consisted, amongst others, of changes to internal regulations of the Corporate Bodies; changes to the roles on the Board; changes to the composition, organisation and operation of the Committees; reinforcement of the independence of the functions for Internal Audit and

Regulation & Internal Control; reinforcement of reporting by the Committees and internal control functions; and changes in the decision-making process.

In addition, the Committee has been informed of the outcome of the corporate governance roadshow, by virtue of which meetings were held with the Bank's main institutional investors and proxy advisors throughout the last months of 2019, with the purposes of explaining the changes included in the Corporate Governance System and to obtain their opinions and points of view, as well as respond to their requests for information.

Lastly, the Committee has reviewed the Annual Corporate Governance Report for financial year 2019 prior to its submission for its consideration to the Board of Directors.

All of the above issues, along with other matters within its remit, were included in the Committee's report on the activity relating to 2019, which, along with the aforementioned activity reports of the Committee, has allowed the Board to be informed on the activity performed by the Committee and assess its operation.

Thus, the Board of Directors received, in its meeting held on 30 January 2020, the report of the Committee's Chair on the activity performed by the Committee in 2019, for the purposes of assessing the performance of its functions, and gave it a positive assessment.

Activity of the Remunerations Committee

In accordance with article 45 of the Bylaws and 34 of the Regulations of the Board, to better perform its functions, the Board of Directors has set up the Remunerations Committee to assist it in remuneration matters falling within its remit, and, in particular, those relating to the **remuneration of directors, senior managers** and those employees whose professional activities have a significant impact on the Group's **risk profile** (the "**Identified Staff**"), ensuring observance with approved remuneration policies.

In addition to the legal provisions and the Regulations of the Board, the functions, rules of operation and composition of the Committee are set out in the Regulations of the Committee, approved by the Board on 29 April 2019, and available on the Bank's website (www.bbva.com).

Furthermore, in order to better perform its functions, the Remunerations Committee takes into consideration applicable best practices and recommendations issued by both national and international bodies, such as the Guidelines on sound remuneration policies (EBA/GL/2017/12) of the European Banking Authority, and the National Securities Market Commission's Technical Guide 1/2019 on nomination and remuneration committees.

1 Composition

The Regulations of the Committee provide that it will be comprised of a minimum of three directors, all of them non-executive and the majority, including the Chair, must be independent directors.

In 2019, the Remunerations Committee was comprised of the following directors:

Director	Role	Status	Date of appointment as a Committee member
Belén Garijo López	Presidenta	Independiente	31/03/2016
Tomás Alfaro Drake	Vocal	Externo	25/06/2014
Carlos Loring Martínez de Irujo	Vocal	Externo	30/03/2004
Lourdes Máiz Carro	Vocal	Independiente	31/05/2017
Ana Peralta Moreno	Vocal	Independiente	27/06/2018

Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their duties. The profiles of each member of the Committee, including the information regarding their knowledge and experience, is available on the Entity's website.

1 Operation

The Remunerations Committee, in accordance with its own Regulations, will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings, in accordance with the proceeding set forth in the Regulations of the Appointments and Corporate Governance Committee for the calling of ordinary and extraordinary meetings.

The Committee performs its duties with full independence and is directed by its Chair, who, in order to promote a diversity of views that enriches the Committee's analyses and proposals, ensures that all members participate freely in deliberations and will promote constructive dialogue amongst them, encouraging the free expression of their views.

Executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of

or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed convenient.

The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager. Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, be limited to those cases where it is necessary and to the items on the agenda for which they are called.

In 2019, it met on seven occasions, with all its members in attendance at all the meetings held. The senior executives of the areas responsible for the matters submitted for consideration participated in all the meetings held.

For the adequate performance of its functions, the Committee is assisted by the Bank's internal services and has the support of the Board of Directors, to whom the Committee's Chair reports regularly on its activities and the adopted resolutions. In addition, the Committee may engage external advisory services for relevant issues when it considers that, these cannot be provided by experts or technical staff within the Group on grounds of specialisation or independence.

In particular, in addition to the support provided by BBVA's internal services, in 2019, the Committee received independent advice from two leading consultancy firms in matters concerning remuneration of directors and senior managers: Willis Towers Watson, regarding market analyzes and comparisons, and J&A Garrigues, S.L.P., regarding a legal analysis of the update of the BBVA directors' remuneration policy carried out in 2019.

In addition, in the performance of its functions, the Remunerations Committee is supported by the Risk and Compliance Committee, which participates in the process of the remuneration policy, to ensure that it is compatible with adequate and effective risk management and that it does not provide incentives for risk taking above the Bank's risk tolerance level.

In addition, in implementation of the changes included in the Bank's Corporate Governance System during the year, the Committee has reported to the Board of Directors the activity performed by the Committee in each one of its meetings, by means of the reports made available to the Board's members in the first Board meeting held after such Committee meeting.

Functions

In accordance with the powers assigned to it by Article 5 of the Regulations of the Remunerations Committee, the Remunerations broadly performs the following functions:

- 1) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the remuneration policy for directors, and also submit its corresponding report, all in accordance with the terms established by applicable regulations at any given time.
- 2) Determine the remuneration of non-executive directors, as provided for in the remuneration policy for directors, submitting the corresponding proposals to the Board.
- 3) Determine the extent and amount of individual remunerations, rights and other economic rewards, as well as the remaining contractual conditions for executive directors, so that these can be contractually agreed, in accordance with the remuneration policy for directors, submitting the corresponding proposals to the Board of Directors.
- 4) Determine the objectives and criteria for measuring the variable remuneration of the executive directors and assess the degree of achievement thereof, submitting the corresponding proposals to the Board of Directors.

- 5) Analyse, where appropriate, the need to make ex-ante or ex-post adjustments to variable remuneration, including the application of malus or clawback arrangements for variable remuneration, submitting the corresponding proposals to the Board of Directors, prior report of the corresponding committees in each case.
- 6) Annually submit the proposal of the annual report on the remuneration of the Bank's directors to the Board of Directors, which will be submitted to the Annual General Shareholders' Meeting, in accordance with the provisions of the applicable law.
- 7) Propose to the Board of Directors the remuneration policy for senior managers and rest of Identified Staff. Likewise, oversee its implementation, including oversight of the process for identifying such employees.
- 8) Propose to the Board of Directors, and oversee the implementation of, the remuneration policy for the Group, which may include the policy for senior managers and other employees of the Identified Staff, stated in the previous paragraph.
- 9) Propose to the Board of Directors the basic contractual conditions for senior managers, including their remuneration and severance indemnity in the event of termination.
- 10) Directly oversee the remuneration of senior managers and determine, within the framework of the remuneration model applicable to Senior Management at any given time, the objectives and criteria for measuring variable remuneration of the heads of the Regulation and Internal Control function and of the Internal Audit function, submitting the corresponding proposals to the Board of Directors, on the basis of those submitted to it in this regard by the Risk and Compliance Committee and the Audit Committee, respectively.
- 11) Ensure observance of the remuneration policies established by the Entity and review them periodically, proposing, where appropriate, any modifications deemed necessary to ensure, amongst other things, that they are adequate for the purposes of attracting and retaining the best professionals, that they contribute to the creation of long-term value and adequate control and management of risks, and that they attend to the principle of pay equity. In particular, ensure that the remuneration policies established by the Entity are subject to internal, central and independent review at least once a year.
- 12) Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.
- 13) Oversee the selection of external advisers, whose advice or support is required for the performance of their functions in remuneration matters, ensuring that any potential conflicts of interest do not impair the independence of the advice provided.

Activity of the Committee in 2019

The work of the Remunerations Committee in 2019 focused on carrying out the functions attributed under the Board Regulations, within the framework established by the BBVA Directors' Remuneration Policy, which was approved by the 2019 General Shareholders' Meeting (the **"Directors' Remuneration Policy"**), and the BBVA Group Remuneration Policy, approved by the Board of Directors in November 2017, generally applicable to all Bank employees, which, in turn, contains the remuneration policy for Identified Staff.

Thus, the Remunerations Committee carried out in 2019 the actions described below, submitting to the Board of Directors, where appropriate, the applicable proposals:

❖ Directors' Remuneration Policy

The Remunerations Committee analysed the approach for updating the BBVA Directors' Remuneration Policy that was approved by General Meeting held in 2017. This update included the new contractual conditions for the Group Executive Chairman and the Chief Executive Officer as a result of their appointment in December 2018, as well as certain additional technical improvements, maintaining in general terms, the remuneration system established in the previous remuneration policy.

The preparation of the proposal regarding the Directors' Remuneration Policy followed the decision-making process described in the Annual Report on Directors' Remuneration for 2019, according to which remuneration proposals, submitted to the Board of Directors for consideration, like the Directors' Remuneration Policy, generally originate from the Remunerations Committee, which previously analyses, debates and determines them.

Therefore, the Committee submitted to the Board of Directors the proposal to update the BBVA Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years, along with the report on the Policy drawn up by the Committee and the proposal for the maximum number of shares to be issued to the executive directors in execution of such Policy, all of which was submitted to the General Meeting held on 15 March 2019 by 94.8% of favourable votes.

❖ Remuneration matters concerning non-executive directors

In accordance with the statutory framework and the Directors' Remuneration Policy, the Committee analysed the remuneration of non-executive directors in view of the changes incorporated in BBVA Corporate Governance System, submitting to the Board proposals for establishing remuneration associated with the roles of Lead Director and Deputy Chair of the Board, and the revision of remuneration for the directors and chairs of the different Board committees, as a result of the redistribution of functions of certain committees as reflected in their corresponding regulations.

❖ Remuneration issues concerning executive directors

The Committee has submitted the corresponding proposals in execution of the BBVA Directors' Remuneration Policy for:

- Determination of the amount of annual variable remuneration for 2018, based on the results of the pre-established annual performance indicators and the corresponding objectives, scales and weightings approved by the Board the previous year.
- Determination of the amount of the deferred annual variable remuneration for 2015, to vest in 2019, based on the results of the pre-established multi-year performance indicators and in the application of the corresponding objectives, scales and weightings approved by the Board, and the updated amount.
- Determination of the scales of achievement of the multi-year performance indicators applicable to the deferred portion of the 2018 annual variable remuneration, prior analysis of the Risk and Compliance Committee, as well as the reference group for the Total Shareholder Return indicator, also applicable to the rest of the Identified Staff.
- Novation of the contract of the Group Executive Chairman and approval of the contract of the Chief Executive Officer to adapt it to his new functions and roles, determining their remuneration conditions in accordance with their contractual framework and Directors' Remuneration Policy (i.e. annual fixed remuneration, target annual variable remuneration, pension framework and other remunerations) for 2019.

- Determination of 2019 annual performance indicators and their corresponding weightings, as well as the multi-year performance indicators applicable to the deferred portion of the 2019 annual variable remuneration and the rules for updating the cash portion of said remuneration, all of which also applies to the rest of the Identified Staff.
- Determination of the minimum thresholds for Attributable Profit and Capital Ratio, and corresponding scales, for the accrual of 2019 annual variable remuneration, in line with those applied for the rest of the employees.
- Determination of the objectives and scales of achievement associated with the annual performance indicators for 2019 annual variable remuneration

❖ **Remuneration matters concerning senior managers**

The Committee has determined the basic contractual conditions applicable to the members of Senior Management appointed on 20 December 2018 and throughout the 2019 financial year, as well as the salary review and basic contractual conditions of certain members of Senior Management.

The Committee has also monitored the 2018 annual variable remuneration of the members of Senior Management, as well as the deferred part of the 2015 annual variable remuneration of the senior managers who are beneficiaries of that remuneration.

Moreover, and as a result of the fact that the heads of Internal Audit and Regulation & Internal Control now are under direct authority of the Board, the Committee has submitted to the Board the proposed objectives and annual performance indicators to calculate 2019 annual variable remuneration of the head of these functions, within the framework of the remuneration model applicable to Senior Management, which were previously analyzed by the Audit and the Risk and Compliance Committees, respectively.

❖ **Remuneration matters concerning the Identified Staff**

In terms of matters relating to the Identified Staff, including Senior Management, the Committee has determined that the multi-year performance indicators used to calculate the annual variable remuneration for 2019 and the scales of achievement used to calculate the deferred annual variable remuneration for 2018 should be the same as those established for executive directors.

❖ **Support to the Board in overseeing the application of approved remuneration policies**

The Committee has reviewed in 2019 the implementation of the approved remuneration policies (i.e. BBVA Directors' Remuneration Policy and the BBVA Group Remuneration Policy, including the Remuneration Policy for the Identified Staff) and the procedure for identifying Staff, through the Internal Audit's annual report, and has also received information on the result of the process for identifying the Identified Staff within the BBVA Group during the 2019 financial year.

The Committee has also verified the information of remuneration of directors and senior managers contained in the financial statements and the Annual Report on the Remuneration of Directors for 2018.

❖ **Other activities**

In compliance with its functions, the Remunerations Committee carried out other activities in 2019 and submitted the following proposals to the Board which were then put to shareholders at the General Meeting:

- The 2018 Annual Report on the Remuneration of BBVA Directors, which was submitted to a consultative vote at the General Meeting held on 15 March 2019, and that was approved by a majority of 96.8%.
- The increase in the maximum variable remuneration level up to 200% of the fixed component applicable to a certain number of members of Identified Staff, and that was approved by the General Meeting held on 15 March 2019, by a majority of 98.2%. Likewise, the Committee proposed to the Board the report that accompanies this agreement which was made available to the Bank's shareholders.

Finally, in 2020, the Committee has analysed, among other matters, the 2019 Annual Report on the Remuneration of BBVA Directors and the increase of the maximum level of variable remuneration of up to 200% of the fixed component of total compensation; for subsequent submission to the next General Shareholders' Meeting to be held on 13 March 2020.

All of the above issues, along with other matters within its remit, were included in the Committee's report on the activity relating to 2019, which, along with the aforementioned activity reports of the Committee, has allowed the Board to be informed on the activity performed by the Committee and assess its operation.

Thus, the Board of Directors received in its meeting held on 30 January 2020 the report of the Committee's Chair on the activity performed by the Committee in 2019, for the purposes of assessing the performance of its functions, as provided for in the Regulations of the Board of Directors, and gave it a positive assessment.

Activity of the Technology and Cybersecurity Committee

In accordance with Article 48 of the Bylaws and Article 36 of the Regulations of the Board of Directors, and in order to best perform its functions, the BBVA Board of Directors has formed a **Technology and Cybersecurity Committee** to assist the Board of Directors in **overseeing technological risk, managing cybersecurity** and monitoring the Group's **technology strategy**.

In addition to the provisions of the Bylaws, the Regulations of the Board of Directors and current legislation, the Committee is governed by the Regulations of the Technology and Cybersecurity Committee, the current version of which was approved by the Board of Directors on 29 April 2019 and which regulates, among other matters, the Committee's purpose and functions. The Bylaws, the Regulations of the Board of Directors and the Regulations of the Technology and Cybersecurity Committee are all available to the public on the BBVA corporate website (www.bbva.com).

■ Composition

The Technology and Cybersecurity Committee is currently composed of five members, all with knowledge and experience in technology, information systems and/or cybersecurity, three of whom are independent directors.

After changes in its composition during the financial year, the Technology and Cybersecurity Committee was composed of the following directors at the end of 2019:

Director	Role	Status
Carlos Torres Vila	Chair	Executive
Tomás Alfaro Drake	Member	External
Sunir Kumar Kapoor	Member	Independent
Juan Pi Llorens	Member	Independent
Jan Verplancke	Member	Independent

■ Operation

The Regulations of the Committee stipulate that the Committee will meet whenever called to do so by its Chair, who is empowered to convene the Committee and to set the agenda for its meetings, as per the procedure set out in the Regulations of the Committee on the calling of ordinary and extraordinary meetings.

The Technology and Cybersecurity Committee held six meetings in the 2019 financial year. All of its members attended every meeting held.

The Committee performs its functions with full operational autonomy, led by its Chair, who, in order to promote a diversity of views that enriches the Committee's analyses and proposals, seeks to ensure that all members participate freely in deliberations, promoting both constructive dialogue amongst them and the free expression of their views.

Executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate.

The Committee may also call any other Group employee or manager, and even arrange for them to appear without the presence of any other manager. Notwithstanding the foregoing, it seeks to ensure

that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, is limited to those cases where it is necessary and to the items on the agenda for which they are called.

The Committee may also engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

Furthermore, the Committee may solicit personal cooperation and reports from any employee or member of the Group's Senior Management, if deemed necessary in order to fulfil its functions in relevant matters.

Functions

In accordance with the powers conferred on it by Article 5 of the Regulations of the Technology and Cybersecurity Committee, the Committee's remit is to assist the Board in:

Overseeing technological risk and managing cybersecurity:

- Review the Group's main technological risks, including the risks related to information security and cybersecurity, as well as the procedures adopted by the executive area for monitoring and control of these exposures.
- Review the policies and systems for assessment, control and management of the Group's technological infrastructures and risks, including the response and recovery plans in the event of cyberattacks.
- Be informed of business continuity plans in matters of technology and technological infrastructure.
- Be informed, as appropriate, of: (i) compliance risks associated with information technology; and (ii) the procedures established for identifying, assessing, overseeing, managing and mitigating these risks.
- Be informed of any relevant events that may have occurred with regard to cybersecurity, i.e. events that, either in isolation or as a whole, may cause significant impact or harm to the Group's equity, results or reputation. Such events will, under all circumstances, be communicated to the Chair of the Committee as soon as they are identified.
- Be informed, as often as required by the head of the Technological Security area, of the activities carried out thereby, as well as of any incidents that may arise.

Monitoring the Technology Strategy:

- Be informed, as appropriate, of the technology strategy and trends that may affect the Group's strategic plans, including through monitoring general trends in the sector.
- Be informed, as appropriate, of the metrics established by the Group for management and control in the technological area, including the Group's developments and investments in this area.
- Be informed, as appropriate, of issues related to new technologies, applications, information systems and best practices that may affect the Group's technological plans or strategy.
- Be informed, as appropriate, of the main policies, strategic projects and plans defined by the Engineering area.
- Report to the Board of Directors and, where appropriate, to the Executive Committee, on matters related to information technologies falling within its remit.

■ Activities of the Committee in 2019

The main activities carried out by the BBVA Technology and Cybersecurity Committee in the 2019 financial year are described below:

❖ Review of the Group's exposure to technological risk

As set forth in the Regulations of the Technology and Cybersecurity Committee, **the Committee has reviewed the Bank's and the Group's main technological risk exposures**, including risks relating to information security and cybersecurity, ensuring that the executive area is equipped with procedures for monitoring and controlling these exposures.

❖ Risk evaluation, control and management

The Committee has **monitored the Group's technological infrastructures and risks**.

Furthermore, the Committee has been informed of the **compliance risks associated with information technology**, such as those derived from managing data with regard to the regulations on personal data protection and the new regulations on payment services, as well as the procedures established to identify, manage, control and, if necessary, mitigate these types of risks.

Moreover, the Committee has been informed of cyberattack **response and recovery plans**, as well as **business continuity plans** that impact the Group's main technological infrastructures.

In addition, the Committee has been informed of the **results of relevant independent reviews** (external and internal, including supervisory inspections) related to technology and cybersecurity.

❖ Cybersecurity

The Committee has been informed of the **Group's cybersecurity strategy and of the systems and tools** that the Group possesses in this regard, including the Group's cybersecurity program and its main elements and developed projects.

Likewise, the Committee has been informed of any **significant events that have occurred in relation to cybersecurity**, including those that have directly affected the Bank or the Group's companies, as well as those that have affected important (national or international) entities or companies, so that the Committee is aware of the threats to which the Group is (or may be) exposed and of the technological defences that BBVA possesses at any time to combat possible attacks.

❖ Technology strategy

The Committee has been informed by the Engineering and Organisation area of the **Group's technology strategy, as well as the progress and status of the different constituent projects, systems, tools and developments**, receiving a periodic report on the key performance indicators (KPIs) in this regard. The Committee has also been informed of the number of employees and level of investment required to effectively implement this strategy.

In terms of the **development of new solutions**, the Committee has been informed of the main projects that the Engineering and Organisation area, together with the Group's other areas, has carried out or is yet to implement, in the sphere of software, platforms, tools and other solutions.

In addition to information on technology strategy, the Committee has received **information regarding the main technological trends in the industry**, and even in other relevant sectors, especially with regards to trends that may affect the Bank's strategic plans.

❖ Other matters

Over the course of the 2019 financial year, the Committee has been informed of the **structure, organisation and resources of the Group's Engineering and Organisation area**, both at corporate level and throughout the different countries in which the Group operates, and of the main changes that have occurred in the area, ensuring that it has sufficient resources to implement the Group's technological transformation strategy.

The Committee has also monitored the internal control activity of the Engineering and Organisation area, staying abreast of the principal actions undertaken by said area throughout the financial year.

All of the matters covered above, as well as other matters within its remit, were included in the Committee's 2019 activity report, which, alongside the activity reports that the Committee provided to directors, has enabled the Board to stay abreast of the activities carried out by the Committee and, ultimately, assess its functioning.

As such, at its meeting on 27 November 2019, the Board received the Chair's report on the activities carried out by the Committee for the 2019 financial year. The Board assessed the work carried out by the Technology and Cybersecurity Committee in compliance with the functions assigned to it, and gave a favourable assessment of the quality and efficacy of its operation.