

# **BBVA Corporate Governance Overview**

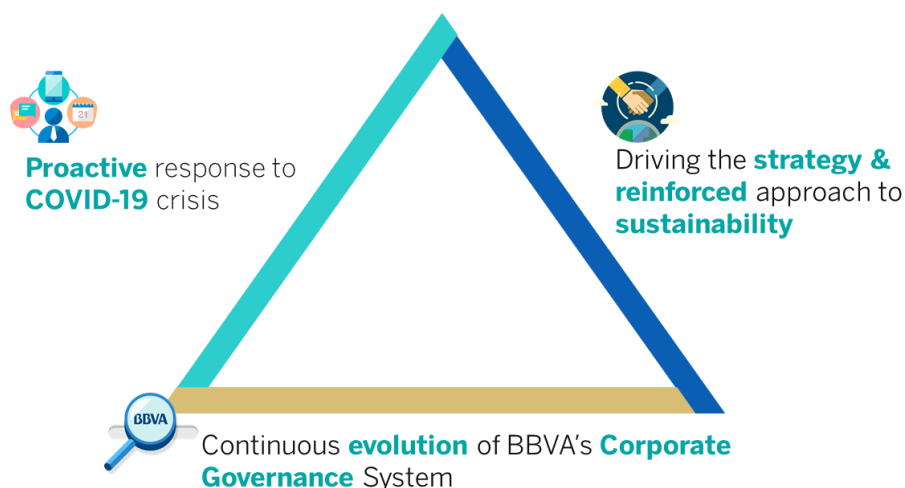
**Banco Bilbao Vizcaya  
Argentaria, S.A.**  
**2020**

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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 to adapt to the reality of the Bank and its circumstances and needs.
- During the 2020 financial year, the work and functioning of BBVA's Board of Directors and its Committees (the **Corporate Bodies**) has revolved around **three key lines of actions**:



- The operation of the Corporate Bodies and the functioning of the Bank's Corporate Governance System have been **significantly impacted by the COVID-19 crisis**. As a result, the Group and the Corporate Bodies have needed to adapt the way in which they operate to the circumstances imposed by a complicated and demanding environment, demonstrating their strength, robustness and capacity to adapt, and responding to the challenges posed by the crisis with very positive results.
- The Corporate Bodies have also continued to **promote the Group's strategy** in this crisis scenario, strengthening it and driving the implementation of the defined strategic priorities, particularly with regards to incorporating **sustainability** into all of the Bank's activities.
- Additionally, the **improvements introduced to BBVA's Corporate Governance System** in 2019 have been consolidated over the course of 2020, while the Board has drawn up a set of additional measures to further improve the efficiency of the Corporate Governance System and to ensure its ongoing evolution in order to align it with international best practices.

BBVA therefore provides this document to its shareholders, investors and other stakeholders for information purposes, which **describes the most significant aspects of BBVA's Corporate Governance System, how it has evolved and functioned during the 2020 financial year**, and how this has enabled the Corporate Bodies to function properly in an environment influenced by the COVID-19 crisis.

## II. BBVA Corporate Governance System

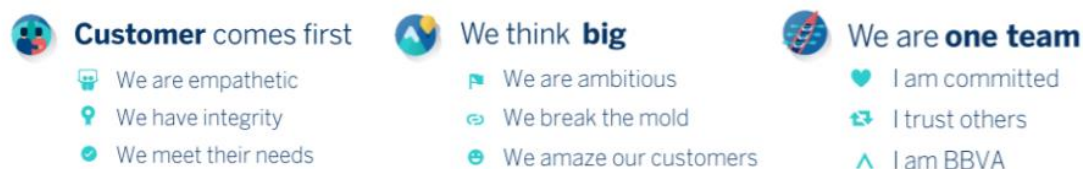
### 1. Pillars and evolution of BBVA Corporate Governance System

As mentioned above, BBVA has a solid and effective Corporate Governance System, which is adapted to the reality of the Bank and to its particular circumstances and needs, and is designed to provide adequate management and oversight. The System's **flexibility** and **capacity to adapt** to the particular needs and context of any given time has been specifically demonstrated in 2020, a year marked by the crisis situation and high levels of uncertainty.

BBVA's Corporate Governance System has taken shape over time on the basis of the following **pillars**, the main characteristics of which are described in this document:

- An **appropriate composition** of its Corporate Bodies.
- A clear **distribution of functions** between the Board of Directors and its Committees, and between the Corporate Bodies and Senior Management.
- A sound **decision-making process** and **informational model**.
- A comprehensive **monitoring, oversight and control system**.

All of this is aligned with the **Corporate Culture** and the **Values** that define BBVA's identity, which are at the centre of its strategy and promoted from the highest level of the Organisation, setting the tone from the top and guiding the Group towards achieving **its Purpose: "to bring the age of opportunity to everyone"**.



Having a clear Corporate Culture and shared Values has proved to be essential in 2020, year in which we have placed special focus on driving and disseminating our Corporate Culture and Values.

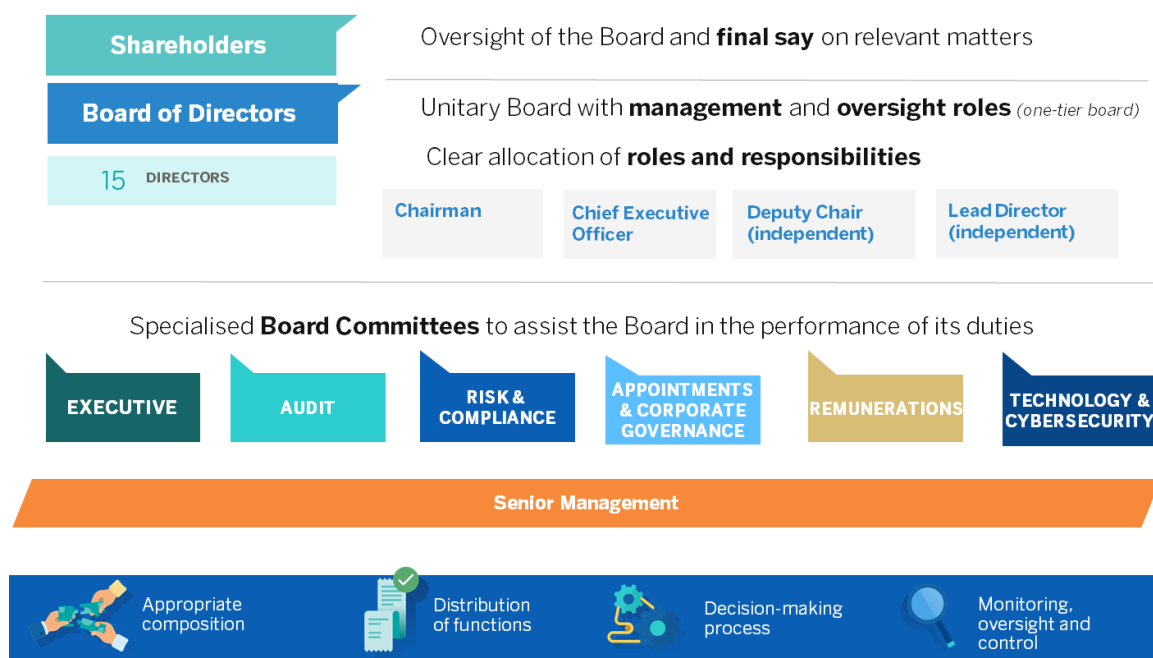
BBVA's Corporate Governance System is also characterised by its ongoing **analysis, evolution and improvement** so that it can adapt to the needs and circumstances of the Bank and its environment to ensure the proper functioning of the Corporate Bodies. Thus, despite the demanding environment in which it operated during 2020, BBVA's Corporate Governance System has continued to evolve and progress, which has enabled it to keep improving its operation and has enabled the Corporate Bodies to perform their functions satisfactorily.

In this regard, in **2019** the Corporate Governance System was enhanced by a series of measures defined, approved and implemented by the Corporate Bodies, which represented the culmination of the exhaustive work carried out to analyse and assess the functioning of the Bank's corporate governance structures, and which focused on: the separation of functions between the Chairman and the Chief Executive Officer, the redistribution of functions among the Board Committees and the reinforced independence of internal control functions. These measures have been **consolidated throughout 2020**, during which the Bank's Corporate Bodies defined a set of additional measures to **ensure the System's continuous improvement and to make progress in the evolution and**



**strengthening of the Entity's corporate governance.** These measures are described in this document.

### Key elements of BBVA Corporate Governance System



## 2. Shareholders

BBVA Group has a **diverse shareholding base**, both in terms of geographical area and structure, of which the 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.

<b>General Shareholders' Meeting</b>	<ul style="list-style-type: none"> <li>It is BBVA's highest governing body and has the power to decide on the matters of greatest importance to the Bank.</li> <li>Its functions, organisation and operation are described in the Regulations of the General Shareholders' Meeting, available on the Bank's corporate website (<a href="#">link</a>).</li> </ul>
<b>Policy on the communication and contact with shareholders and investors</b>	<ul style="list-style-type: none"> <li>It was approved by the Board of Directors and is published on BBVA's corporate website (<a href="#">link</a>).</li> <li>It is based on the principles of transparency, veracity, immediacy and consistency in disclosing information, as well as on equal treatment and rights for all shareholders in the same position.</li> </ul>
<b>One share, one vote principle</b>	<ul style="list-style-type: none"> <li>There are no restrictions or limitations on the exercise of shareholders' rights or the acquisition or transfer of shares. Thus, in accordance with the Bylaws, each share, present or represented at the General Shareholders' Meeting, confers the right to one vote.</li> </ul>

Based on the foregoing, the Bank has been developing initiatives and measures to guarantee and promote shareholders' participation and exercise of rights at General Meetings. Various measures were implemented for the **2020 General Meeting**, to ensure that this event could run smoothly, with maximum safeguards in place, in terms of shareholders' health and safety and their exercise of rights. To this end, mechanisms for shareholder remote participation were promoted, guaranteeing the full exercise of their rights at the General Meeting despite the circumstances caused by COVID-19. All of these measures allowed the 2020 General Meeting to be held without incident and with an attendance quorum of **66.83%** of the share capital.

Shareholders have repeatedly shown high support levels for the issues submitted for their consideration, such as matters related to the composition of the Board of Directors, annual financial statements, the remuneration policy or financial authorisations.

Information on the Bank's latest General Shareholders' Meetings and voting results can be found on BBVA's corporate website ([link ↗](#)).

Furthermore, BBVA attaches great importance to maintaining transparent and fluid communication and relations with its shareholders. The corporate website ([link ↗](#)) contains comprehensive and up-to-date information regarding BBVA, as well as a specific section on corporate governance information, in addition to institutional, financial and economic information on the Group's activity and results. It also contains other legally required content that is in line with applicable best practices and recommendations.

In addition to the above, BBVA has an **active engagement policy with both institutional and retail shareholders**. In this framework, BBVA undertakes different activities and initiatives, coordinated by the Shareholder and Investor Relations Area, allowing the Bank and the Corporate Bodies to gather information on the opinions and expectations of its shareholders and investors.

In 2020, the Bank made contact and held meetings with its shareholders, investors and other stakeholders to inform them about the most significant aspects of the Entity's evolution, the effects of the COVID-19 crisis and related management measures, as well as the most relevant aspects of the Bank's Corporate Governance System and its evolution during the financial year, as well as to receive their feedback and views, reporting thereon to the Board of Directors.

### 3. Board of Directors

In accordance with Spanish legislation 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 its **oversight and control** (monitoring and overseeing proper implementation), all with the aim of achieving the Bank's Purpose and best corporate interest.

#### 3.1. Functions

BBVA's Board of Directors combines its **oversight and control functions of 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 in the executive area, except for those matters that cannot be delegated by law.

The most relevant functions are related to the following matters:

MANAGEMENT AREAS	OVERSIGHT AND CONTROL AREAS
<ul style="list-style-type: none"> <li>■ Determination of the strategies and general policies of the Entity and the Group (e.g. strategic plan, annual budget, capital plan, liquidity and funding plan, dividends, tax strategy, risk control and management policy etc.).</li> <li>■ Corporate governance, organisation and operation of the Board and its delegated and advisory bodies.</li> <li>■ Proposals for the appointment, ratification, re-election or removal of directors and appointment and removal of senior managers, along with remuneration matters.</li> <li>■ Drafting of annual financial statements and approval of financial and non-financial information that the Bank is required to disclose periodically.</li> <li>■ Call of the General Shareholders' Meeting and submission of the corresponding proposals.</li> <li>■ Other responsibilities relating to the approval of strategic investments and transactions (M&amp;A transactions) or related-party transactions.</li> </ul>	<ul style="list-style-type: none"> <li>■ Overseeing the actions of Senior Management and the implementation of the Bank's strategy and objectives.</li> <li>■ Monitoring and controlling the coordination and coherence in the Bank's strategic objectives, organisational structure, risk strategy and general policies.</li> <li>■ Overseeing the effectiveness of the Corporate Governance System.</li> <li>■ Monitoring the functioning of the internal control framework and guaranteeing the independence of those responsible for it.</li> <li>■ Ensuring the integrity of accounting and financial reporting systems and overseeing the process for disclosing information and the communications regarding the Bank and its Group.</li> <li>■ Promoting and overseeing the application of corporate values, risk culture and the Code of Conduct. (see section 5.2 for more information).</li> </ul>

This structure has proved very efficient, in particular in the context of the 2020 financial year, as it has enabled the Board to satisfactorily develop its functions in this crisis scenario, both in terms of the adoption of the management measures and the oversight and monitoring of the Group's management and activity in its various geographical areas, the effects of the crisis on the business and the measures taken by the executive teams.

Furthermore, for a better performance of the management and oversight functions, BBVA's Board of Directors has **specific Committees**, made up by members of the Board, and that assist it in matters falling within their remit, on the basis of an adequate distribution of functions and with a coordinated working system among Corporate Bodies (see 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 consideration or oversight by the Corporate Bodies, through the analysis and challenge of the approaches and proposals submitted. This also strengthens the monitoring and oversight of the adopted decisions, which are implemented by the executive level.

Additionally, in order to strengthen the management and oversight of the Group, the Board has the **BBVA Group Corporate Governance General Policy**, which lays down the general principles, objectives and main characteristics of corporate governance of the Group and its internal organisation, including the relationship model between BBVA and the entities comprising its Group.

As a result, the Corporate Bodies have developed their activity and perform their functions in 2020 in a satisfactory manner, establishing a general planning framework for the main key decisions and the processes linked to those decisions, so that they are coordinated and coherent, ensuring also their consistency in terms of their approval, monitoring, oversight and control.

All of this, focusing on those issues and areas that have been of particular relevance during the financial year: (i) **dynamic and proactive management and oversight of the COVID-19 crisis**; and (ii) **driving the implementation of the strategy and the integration of sustainability**:

## Response to the COVID-19 crisis

The functions and activity of the Corporate Bodies during 2020 have been marked by the COVID-19 pandemic. To manage this situation, BBVA has defined the following priorities:



To protect the **health** of our employees, clients and society, leading by example



To continue to provide **an essential service** in the economies in which we operate



To provide **financial support** to our clients

In addition, in order to carry out **dynamic and proactive management and oversight** of the crisis, the Corporate Bodies have intensified their activity throughout the financial year, and have adapted their functioning and dynamics in the following way:

- they have strengthened the **monitoring of the impacts of the crisis and management of the Group's activities, businesses and results**, the risk profile, capital and liquidity, along with matters related to **operational and technological continuity, macroeconomic perspectives** and the **regulatory and supervisory environment**, among others;
- they have improved the **interaction between the Board, its Committees and the executive team** in order to analyse all of the relevant information regarding the progress of the crisis and its management by the Bank, overseeing directly and continuously the management performed by the executive team; and
- they have **adapted the functioning of the Corporate Bodies and their meeting dynamics**, to accommodate remote meetings, to alter the number of meetings—increasing them significantly—, and to prioritise the most pressing matters.

In particular, the Corporate Bodies have constantly **monitored the development of the crisis and its impact on employees, on the Group's operations and businesses and on the societies where it operates**, as well as the main **management measures** implemented by the Group, highlighting in this area:

- the progress of the pandemic in the main countries in which the Group operates, including numbers of infections, hospitalisations and deaths, as well as active cases in the Group;
- the implementation of health measures with regard to employees and clients, communication plans with different groups, flexible working systems in the Group and back-to-work plans for workplaces and offices;

- (iii) issues relating to continuity of operations, customer services and the Group's digital and remote services, management of technology infrastructure and systems, cybersecurity measures or relations with external service providers;
- (iv) the various Group-wide crisis management measures adopted by regulators and supervisors; and
- (v) the evolution of the pandemic in the various countries in which the Group operates, including the situation with regard to financial markets, the most relevant macroeconomic information and future prospects for BBVA and its Group.

At the same time, the Corporate Bodies have continued **to drive the implementation of the Group's strategy** in this crisis scenario, strengthening it and accelerating the execution of the strategic priorities defined.

### Driving the strategy and the integration of sustainability

The approval of the Group's overall strategy is one of the functions reserved for the Board of Directors. In performing this function, and following **the strategic review** process developed by the Corporate Bodies in 2019, the Board of Directors **defined and approved the Strategic Plan for the BBVA Group** in December 2019, which sought to accelerate and deepen the Group's transformation and the achievement of its Purpose, establishing the strategy to be followed by the Entity in the medium and long term:






As part of this strategic review process, a new strategic priority related to “**helping our clients transition towards a sustainable future**”, was explicitly included, reflecting **the Bank's commitment and transversal drive towards sustainability**, particularly on **climate change** and **inclusive and sustainable social development**.

This has led to the **integration of sustainability as an essential element in all of the Group's activity**. It has therefore been included in the implementation of the strategy, in the business processes and in the Group's risk management, and this will continue into the future.



At the same time, in 2020, the **governance and oversight framework at the Corporate Bodies level has been strengthened in matters relating to sustainability**, increasing their involvement and activity in this area, which has resulted in, among others, the following actions:

- The approval of the **Group's General Sustainability Policy**, which defines and establishes the general principles and main management and control objectives and guidelines to be followed by the Group in sustainable development ([link](#) ).
  - This Policy outlines the creation of the **Global Sustainability Office**, a cross-cutting unit responsible for promoting and coordinating sustainability initiatives within the Group, with the support of the senior managers in the Group's global and local levels. This unit has set up regular meetings with these managers to review the lines of work, with a view to accelerating their execution and ensuring alignment across the Group's units; driving the development and integration of sustainability in the Group's processes and businesses.
  - In addition, the Policy outlines the Group's aforementioned focal points on sustainability (i.e. **climate change** and **inclusive and sustainable social development**), as well as the **specific objectives**: to promote the development of sustainable solutions; to integrate sustainability risk into processes; to establish a single agenda with stakeholders; and to develop new skills in sustainability.
- The definition of a **governance model at the Corporate Bodies level** for matters related to sustainability, in which the Board is assisted by its Committees, mainly the Executive Committee and the Risk and Compliance Committee:
  - The **Executive Committee** assists the Board in the definition and oversight of the implementation of the Group's policies and initiatives in matters of sustainability, and **monitors the integration of sustainability into the Group's business processes** and the previously mentioned objectives in this area.
  - The **Risk and Compliance Committee monitors the integration of sustainability into the Group's risk analysis and management**, both from a risk planning point of view and from a risk management point of view, with the incorporation of this risk into the sectoral frameworks specifically reported to the Committee by the executive area.
  - This framework allows the Corporate Bodies to define the Group's core lines of action with regard to the management of opportunities and risks arising from sustainability in their businesses, and to oversee their implementation by the executive areas in all of the Entity's activities.
- The disclosure of information on the Group's activity in the area of sustainability, in particular the publication of the **report on the recommendations of the Task-Force on Climate-Related Financial Disclosures (TCFD)**, which is available on the corporate website ([link](#) ); as well as **BBVA Group's non-financial information alignment with WEF-IBC and SASB standards**, available on the 2020 Annual Report ([link](#) .

In addition, within the framework of the Corporate Governance System, the Board of Directors, with the support of the different Committees within their remits, **monitors, oversees and controls the implementation of the approved Strategic Plan**, in a coherent and coordinated manner and within the framework of the other main decisions made by the Group, by: (i) determining and overseeing the implementation of strategic indicators (Key Performance Indicators or KPIs), which measure the level of achievement of the identified strategic objectives and their integration into management; (ii) overseeing the management carried out by the executive area, ensuring that it is consistent with the main decisions, policies and management guidelines established by the Corporate Bodies; and

(iii) reviewing and updating the Strategic Plan and other decisions, adapting them to the needs and development of the business and environment.

## 3.2. Composition

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

Pursuant to the provisions of the Regulations of the Board of Directors, BBVA has a **selection, suitability and diversity Policy of its Board of Directors** (the **Selection Policy**), which has been updated by the Board in 2020 and is available on the corporate website ([link](#)), and which sets out the principles and criteria governing the process for the selection, appointment and renewal of the members of the BBVA Board of Directors, as well as the legal requirements that directors must meet, including suitability requirements. The Policy also provides for the elements and objectives concerning the composition of the Corporate Bodies, including diversity, which will be attended to ensure that the Corporate Bodies properly exercise their functions and to guarantee their effective functioning. All the foregoing in the Bank's best corporate interest.

The Policy also takes into account the recommendations included in the National Securities Market Commission's Good Governance Code of Listed Companies, as well as relevant best practices and recommendations at a local and international level.

### Criteria and objectives of the Selection Policy

- Progressive and ordered refreshment process of the Corporate Bodies
- Appropriate balance between the different types of directors, specifically, that the number of independent directors represents at least 50% of the total
- Promotion of the diversity of its members, to integrate people with different profiles, knowledge, training, experience and skills, depending on the needs of the Bank
- Balanced representation of men and women: target for the lesser-represented gender set at 40% before the end of the 2022 financial year (not dropping below 30% prior to this)
- Suitability requirements. Ongoing analysis and assessment

The following describes how the criteria and objectives detailed in the Selection Policy have been implemented during the 2020 financial year:

### Board of Directors' refreshment process

Based on the work carried out by the Appointments and Corporate Governance Committee, the Board of Directors **periodically analyses its structure, size and composition**, taking into account that it must remain balanced and adapted to its needs at any given time, for which diversity in terms of gender, knowledge, skills and experience required of its members is taken into account, as well as the directors' status, independence and suitability assessments and the commitment that the Bank requires for the proper performance of duties.

This analysis takes place within the framework of the **progressive and orderly refreshment process** of the Corporate Bodies, under which **individuals with different profiles and experience** are appointed as often as deemed appropriate, in order to increase diversity, as well as to ensure an

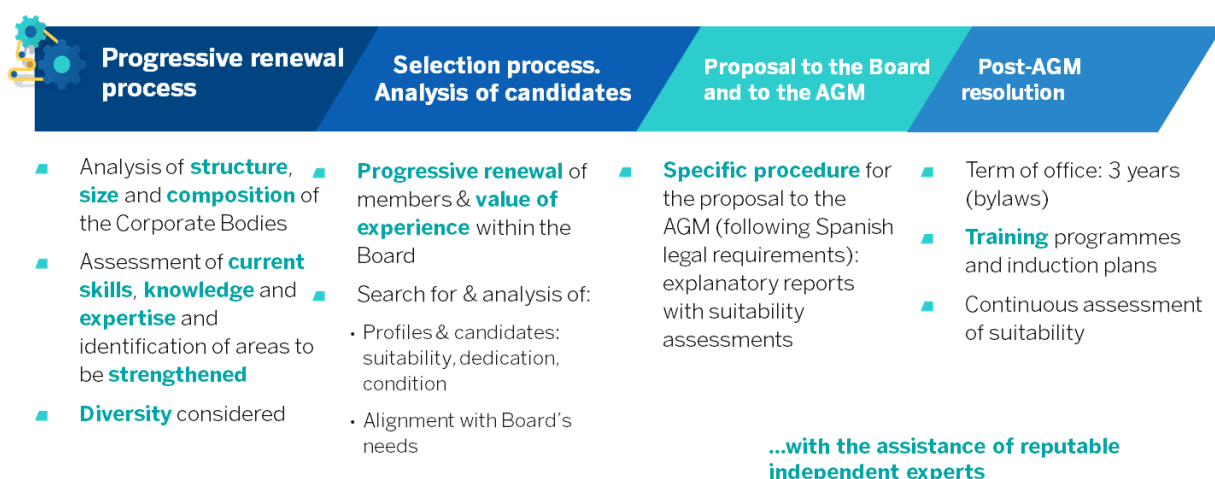
**appropriate renewal of the members of the Board of Directors.** This guarantees a balanced representation of directors with diverse experience on the Board.

The analysis also takes into account the requirements and objectives with regard to the size and composition of the Board, as laid down in the applicable legislation, the Regulations of the Corporate Bodies and the Selection Policy.

In this way, the appointment of directors at BBVA is based on a prior and documented analysis of the composition of the Board of Directors, aimed at ensuring that the Board as a whole has the right knowledge, skills and experience to understand the business, activities and main risks of BBVA and its Group, thereby also ensuring that it has the effective capacity to carry out its functions in the best corporate interest.

With regard to the Board's refreshment process, the Committee ensures that the selection processes for potential candidates favour **diversity**, do not suffer from implicit bias that could lead to any kind of discrimination, and are carried out with the **highest degree of professionalism and independence** by seeking advice from leading international independent expert recruitment firms, which are tasked with independently searching for potential candidates.

### Main features of the Corporate Bodies' refreshment process



### Refreshment process in 2020: changes in the composition of the Board approved by the 2020 General Meeting

In 2020, the Bank completed a **thorough refreshment of the Board of Directors**, which has been developed in recent years, in accordance with the criteria described in the preceding paragraphs. As a result of said process, three directors ceased, three were appointed and two were re-elected by the General Shareholders' Meeting held in March 2020.

Thus, the General Meeting resolved to appoint, as independent directors, **Raúl Galamba de Oliveira** and **Ana Revenga Shanklin**, and as an external director: **Carlos Salazar Lomelín**. Likewise, **Lourdes Máiz Carro** was re-elected as an independent director and **Susana Rodríguez Vidarte** as an external director.

This has meant that the composition of the Board was particularly strengthened in terms of: (i) **knowledge and experience in key areas for BBVA** such as banking, financial services, sustainability, strategy and macroeconomic environment, and innovation and technology; and (ii) **diversity of international expertise** and the **expansion of the Board's experience in the geographical areas in which the Group operates**.



With these changes introduced in 2020 and carried out within the framework of the refreshment process, the Board of Directors has incorporated **seven new directors in the last three years**, which has enabled it to achieve a balanced composition between new members and those with greater seniority in the role, the **average term of office standing at approximately 6 years**.

## Current composition of the Board

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

Full name	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
José Miguel Andrés Torrecillas	Deputy Chair	Independent	16/03/2018
Jaime Caruana Lacorte	Director	Independent	16/03/2018
Raúl Galamba de Oliveira	Director	Independent	13/03/2020
Belén Garijo López	Director	Independent	16/03/2018
Sunir Kumar Kapoor	Director	Independent	15/03/2019
Lourdes Máiz Carro	Director	Independent	13/03/2020
José Maldonado Ramos	Director	External (1)	16/03/2018
Ana Peralta Moreno	Director	Independent	16/03/2018
Juan Pi Llorens	Lead Director	Independent	16/03/2018
Ana Revenga Shanklin	Director	Independent	13/03/2020
Susana Rodríguez Vidarte	Director	External (1)	13/03/2020
Carlos Salazar Lomelín	Director	External (2)	13/03/2020
Jan Verplancke	Director	Independent	16/03/2018

(\*) The composition of the Board may vary according to the proposals that the Board has resolved to submit to the 2021 General Shareholders' Meeting. Should these proposals be approved, the Board would continue to consist of 15 directors, 10 of whom would be independent, 3 external and 2 executive.

(1) External director due to having been a BBVA director for a continuous period of more than 12 years.

(2) External director, based on the criterion of prudence in the application of the regulations, taking into account his membership of the management bodies of companies related to BBVA Mexico for more than 15 years.

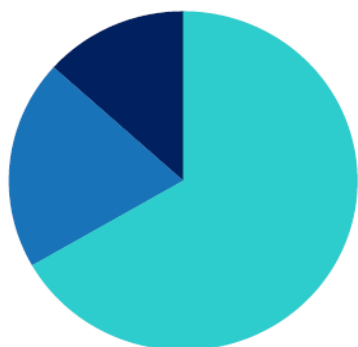
The full profiles of BBVA directors are available on the corporate website [www.bbva.com](http://www.bbva.com).

## Main features of the composition of BBVA Board of Directors

### ■ Independence

The independence levels of the Board have been increasing in recent years and have now reached **two thirds** of all directors (**67%**), exceeding the targets set out in the Selection Policy and in the applicable good governance regulations and recommendations (which generally require or recommend a majority of independent directors).

● Independent ● External ● Executive



This high level of independence contributes to the appropriate composition of the Corporate Bodies, in particular of the Committees that assist the Board of Directors in its oversight and control functions, which must have a significant representation of independent directors, including their chairs, as described in section 4 below.

### ■ Diversity

The Board of Directors has a **diverse composition**, combining people 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, sustainability and governance, the legal and academic field, multinational business, public institutions, digital businesses and technology, both at national and international levels.

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 expertise and gender, incorporating new members that allow its composition to be adapted to the needs of the Group at all times, as described in the following paragraphs.

Likewise, BBVA's Corporate Bodies take any other diversity factor into consideration that is relevant at any given moment to accommodate the composition of the Corporate Bodies to the needs of the Bank, including criteria such as gender, academic profile, professional experience or knowledge, thus being able to achieve an adequate balance aimed at ensuring that the Corporate Bodies can properly exercise their functions and to guarantee their effective functioning.

In the same way, and within the framework of this diversity, the Board of Directors has members with broad experience on the Board, which gives them in-depth knowledge of the Bank, the BBVA Group culture 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 less knowledge of the Bank, is carried out without affecting the proper functioning of the Board; and they also contribute by making their knowledge and experience available to the new directors, and by disseminating the functioning of the Board and its work culture.

Finally, it should be noted that in recent years, and in particular in 2020, as a result of the refreshment process indicated in the previous paragraphs, the Board of Directors has **strengthened its international profile** in line with the international footprint of the BBVA Group, as well as its experience in countries of particular importance to the Entity's businesses and activities.

The above allows the Board, as a whole, to be **appropriately balanced in terms of its composition** and to possess **sufficient knowledge** of the Bank's and the Group's **environment, activities, strategy** 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**, which ensures that the Board can effectively take decisions independently and autonomously, thus contributing to its better operation and the best corporate interest.

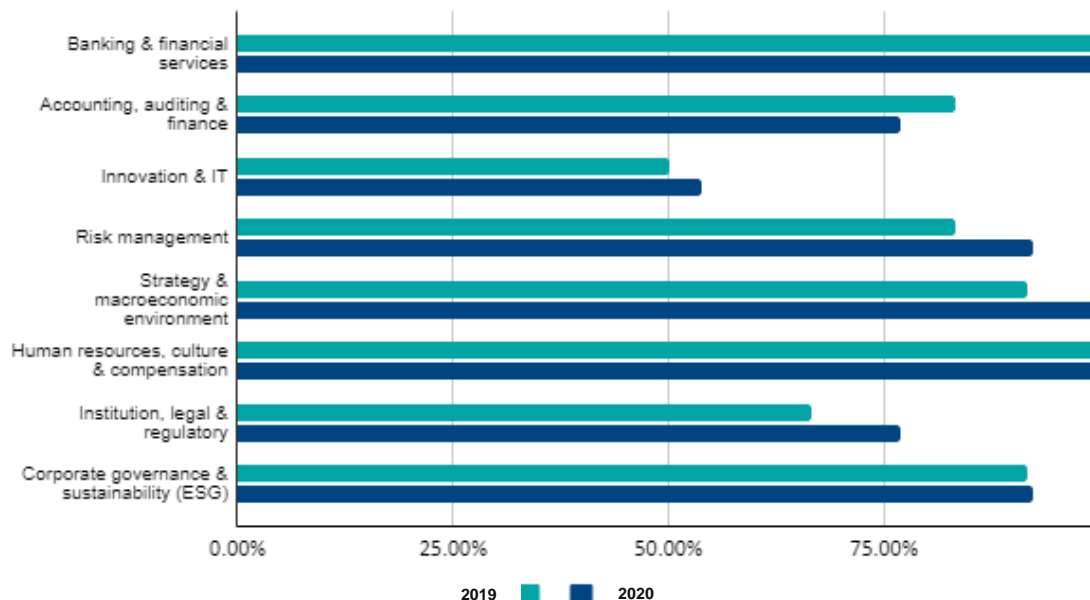
### Skills and diversity matrix

With a view to identifying the Board's existing skills, characteristics and experience, and those areas that need to be improved upon in the future, the Board of Directors has developed a **skills and diversity matrix** which identifies the skills, experience and diversity criteria that are most relevant to BBVA's Board of Directors and those that would benefit from being strengthened in the future, based on the recommendations and guidelines of supervisors and international best practices in the area of corporate governance.

Within the framework of the function of analysis of the structure, size and composition of the Board, the Appointments and Corporate Governance Committee has updated the Board of Directors skills and diversity matrix during the 2020 financial year, in light of the changes made to the composition of the Board following the 2020 General Shareholders' Meeting.

A comparison of the updated 2020 version of the Board's skills and diversity matrix with the version for the 2019 financial year is shown below:

**Board skills matrix**



This updated matrix shows that, following the refreshment process of the Board of Directors in 2020, and as indicated above, the Board's skills have been strengthened in areas of major importance for the Bank's activities and strategy.

## Equal gender representation on the Board of Directors

Pursuant to the principles set out in the Regulations of the Board of Directors and in the Selection Policy, the Appointments and Corporate Governance Committee ensures that the selection processes facilitate the selection of a sufficient number of female directors to guarantee a **balanced representation of men and women**, endeavouring to ensure that women with the relevant professional profile are included amongst potential candidates.

To this end, the Appointments and Corporate Governance Committee has set a target for representation of the lesser-represented gender, namely to endeavour that female directors represent at least **40%** of the Board of Directors by the end of the 2022 financial year and beyond, **not dropping below 30% prior to this**.

In recent years, **the proportion of female directors on the Bank's Board has increased** and currently accounts for **33%** of the total (and **40%** of the independent directors).

Thus, BBVA currently **meets its target for 2020 and 2021**, of at least 30% of directors being female. In addition, women sit on five of the Board Committees, with the majority of the members of both the Audit Committee and the Remunerations Committee being women, including the Chair of the Remunerations Committee.

## ■ Suitability

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

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

BBVA directors must be able to comply with the requirements established by law, the Bylaws and in the Regulations of the Board of Directors in order to suitably perform their director duties, in particular those related to **due diligence and loyalty**, avoiding **conflicts of interest** and complying with the **system of limitations and incompatibilities** set out in the applicable regulations, 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 2020, there were no known circumstances affecting the suitability of the directors to perform their roles.

## ■ Dedication

The Board of Directors holds monthly ordinary meetings in accordance with the annual meeting schedule drawn up before the beginning of the financial year, and extraordinary meetings as often as deemed necessary.

In view of the situation caused by the COVID-19 crisis, and in line with the measures taken in this regard by the public authorities, the meetings of the Corporate Bodies held since mid-March 2020 have taken place remotely, with all its members connecting through remote means of communication which allowed the identification of the attendees, the interaction among them and their participation in real time, thereby maintaining the cohesion of the event.

This rapid adaptation and the normal conduct of meetings, despite the circumstances, has been supported and aided by the elements of BBVA's Corporate Governance System linked to decision-making, the informational model and the oversight and control model, as described below.

As such, as can be seen below, all directors have shown a high level of dedication to the Bank, actively participating in the deliberations, discussions and debates on the matters submitted for their consideration.

Corporate body	Number of meetings in 2020	Attendance % (excluding proxies)
<b>Board of Directors</b>	<b>15</b>	<b>99%</b>
Executive Committee	30	99%
Audit Committee	13	97%
Risk and Compliance Committee	23	100%
Appointments and Corporate Governance Committee	4	100%
Remunerations Committee	4	100%
Technology and Cybersecurity Committee	7	100%

### Breakdown of director attendance at Corporate Bodies' meetings

Director	Total number of meetings in 2020	Attendance % (excluding proxies) <sup>(3)</sup>
Carlos Torres Vila	51/52	98%
Onur Genç	45/45	100%
Tomás Alfaro Drake <sup>(1)</sup>	7/7	100%
José Miguel Andrés Torrecillas	60/60	100%
Jaime Félix Caruana Lacorte	81/81	100%
Raúl Galamba de Oliveira <sup>(2)</sup>	29/29	100%
Belén Garijo López	34/36	94%
José Manuel González-Páramo <sup>(1)</sup>	4/4	100%
Sunir Kumar Kapoor	22/22	100%
Carlos Loring Martínez de Irujo <sup>(1)</sup>	24/25	96%
Lourdes Máiz Carro	32/32	100%
José Maldonado Ramos	49/49	100%
Ana Peralta Moreno	32/32	100%
Juan Pi Llorens	49/49	100%
Ana Revenga Shanklin <sup>(2)</sup>	24/24	100%
Susana Rodríguez Vidarte	72/72	100%
Carlos Salazar Lomelín <sup>(2)</sup>	11/12	92%
Jan Verplancke	24/24	100%

(1) Mr Alfaro, Mr González-Páramo and Mr Loring stepped down as directors of the Bank at the date of the General Shareholders' Meeting held on 13 March 2020.

(2) Mr Galamba, Ms Revenga and Mr Salazar were appointed as directors of the Bank at the General Shareholders' Meeting held on 13 March 2020.

(3) For clarification purposes, all absences took place by delegating the representation and vote of the director unable to attend to another director; however, for the calculation of this section, such representations were not taken into account.

As can be seen, the structure and functioning of BBVA's Corporate Governance System requires a **high degree of activity by the Board and its Committees**, and, as such, the dedication of their members, in terms of both preparing and conducting meetings.

This reflects the **intensive activity** of the Corporate Bodies during 2020, which has seen an increase in the matters submitted for their consideration, with a particular increase in the monitoring of the impact of the crisis and the various measures for managing the Group's businesses and activities under this scenario, as well as the earnings, risk profile, capital liquidity, and financing, as along with issues related to operational and technological continuity, macroeconomic outlook and regulatory and supervisory environment, among others.

In particular, the **Executive Committee** has played a key role in the integral monitoring and control of the measures implemented in the Group for the management of the crisis caused by COVID-19 during the financial year, prioritising the treatment of matters which required reinforcement in monitoring and control by the Committee and which had a greater impact on the Group, and supporting the Board in the decision-making in matters within its remit, that were impacted by the crisis environment. This has meant a significant increase in the frequency of its meetings, especially from the second quarter of the financial year, with weekly meetings during certain periods of the year.

## ■ Training

The Bank has a **continuous training programme for directors**, which serves as support to the decision-making system and the informational model of the Corporate Bodies that is developed in its meetings. This ensures the continuous enrichment of the knowledge and skills of directors, and thus helps ensure that the Board of Directors has the knowledge, capacity and information necessary to carry out its functions at all times.

In this respect, the director training programme was implemented during the 2020 financial year, as in previous years, through monographic meetings that address those topics deemed appropriate or relevant to the exercise of the functions of the directors, adapting, in this way, to the needs and changes in the business or regulatory environment that may arise at any given time.

In the implementation of this programme, various meetings were held during 2020, covering subjects, such as **behavioural economics, data and algorithms, sustainable finance, impact of COVID-19** and **market abuse**.

The 2020 director training programme was run with the open participation of the directors and incorporated all topics that were requested by them, in order to provide as much information as they need for the proper performance of their role. The directors were provided with information and presentations by the Group's leading experts on the subject matter.

In order to introduce new directors to BBVA and its Corporate Governance System, the Bank has an **induction and integration support programme** for new directors on the Board. This is personalised based on their profile and professional experience so that the programme is tailored to their individual needs, combining the nature and reality of the Bank with the knowledge and experience of the director.

The induction programme provides new directors with an introduction to the BBVA Group and its strategy, as well as the context in which it operates. This includes topics such as the structure, activities and business of the Group, its key management decisions, its corporate governance, macroeconomic environment, banking regulations and supervision, finance, risks and internal control.



Under this programme, the independent directors who joined the Bank in 2020 have attended various personalised training sessions given by the Group's executives in areas of strategy, retail banking, corporate and investment banking, finance, financial and non-financial risks, compliance, transformation, corporate governance, sustainability, macroeconomic environment, banking regulations and supervision, and internal control.

### 3.3. Distribution of functions

The checks and balances structure established in the Corporate Bodies through the appropriate composition and distribution of functions between the Board and its Committees is complemented by other measures to ensure the adequate functioning of the Corporate Bodies and the Bank's Corporate Governance System, preventing the concentration of power in any one person or body.

To this end, the Board has designated separate **roles for the Chairman** and **the Chief Executive Officer**, with each having specific and differentiated functions, which are nonetheless adequately coordinated, a manifestation at the highest executive level of one of the Group's corporate values: **We are one team**. This distribution of functions facilitates efficiency in the management of the Group, driving BBVA's strategy and transformation from the executive level to the whole Bank, as well as the adequate management oversight and control by the Corporate Bodies.

In 2020, the improvements made in 2019 were consolidated, which established a **direct report of the Chief Executive Officer to the Board of Directors**, as well as the following **distribution of functions and areas of responsibility** of the Chairman and the Chief Executive Officer, expressly contained in the Bank's corporate regulations and organisational structure:



This coordinated structure and functioning proved **effective during 2020**, facilitating the efficient, structured and integrated management of the Bank and the Group and safeguarding the day-to-day operation of the business and the implementation of the strategy while efforts were refocused in key areas linked to the pandemic, in particular the protection of health, maintenance of essential services and financial support for customers, together with the **promotion of the Group's values, principles and culture**.

In order to strengthen the checks and balances system, the Board of Directors has a **Lead Director**, appointed from among the independent directors, as well as an independent **Deputy Chair** of the Board, who is responsible, in accordance with the provisions of the Bylaws, to perform the functions entrusted to the Chairman of the Board, in the event of any absence or impediment.

In particular, the duties of the Lead Director include: (i) the capacity to request that a Board meeting be called, or for new items to be included on the agenda; (ii) to be aware of the Board's annual meeting schedule and of the agenda proposals prior to the calling of meetings; (iii) to ensure that directors have sufficient time to review and discuss items on the agenda; (iv) to call and lead coordination and follow-up meetings with non-executive directors; (v) to direct the periodic assessment of the Chairman of the Board; and (vi) to maintain contact with investors, shareholders, supervisors and other stakeholders in order to hear their views and form an opinion regarding the Entity's corporate governance; periodically informing the Board of the activities undertaken in order to fulfil their duties.

In execution of these functions, the Lead Director coordinates the follow-up meetings that are held with non-executive directors after each ordinary meeting of the Board of Directors, without the presence of the executive directors; and maintains ongoing contact, holds recurring meetings and conversations with the Bank's directors in order to seek their opinions on the corporate governance and operation of the Bank's Corporate Bodies. All of the above, together with the meetings held within the framework of the Risk and Compliance Committee and the Appointments and Corporate Governance Committee, composed entirely of non-executive directors and of which he is a member, in addition to the individual meetings held within the framework of the Board's annual self-assessment process, means that the Lead Director has held a total of 63 meetings over the course of 2020.


## 4. Board Committees

A core element of BBVA's Corporate Governance System is the existence of Board Committees, consisting of Board members and created 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 **independence from management areas**.

The Board of Directors has created **six specific Committees**: the **Audit Committee**, the **Risk and Compliance Committee**, the **Appointments and Corporate Governance Committee**, the **Remunerations Committee**, the **Technology and Cybersecurity Committee** and the **Executive Committee**.

### 4.1. Functions

For the correct performance of functions, the Board has provided its Committees with a **clear allocation of functions**, as set out in its regulations, which are available on the Bank's website ([link](#) ). In 2019, as a result of the analysis and review of the Corporate Governance System, the Board reorganised the functions of the Committees to improve their effectiveness, having implemented the agreed changes very satisfactorily in 2020.



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

#### ■ **Audit Committee**

- **Oversight of the preparation of financial statements and public information**, as well as the relationship with **the external auditor** and **Internal Audit**, in order to implement independent and separate oversight of the third line of defence.
- It has thus been assigned the function of oversight and control of the activities carried out by the executive areas of the Bank that comprise the **third line of defence**.

#### ■ **Risk and Compliance Committee**

- Determination and monitoring of the Group's **risk management and control policy**, including **internal risk control** and **non-financial risks**, with the exception of matters relating to internal financial control, which are the responsibility of the Audit Committee; those related to technological risk, which are the responsibility of the Technology and Cybersecurity Committee; and those related to business and reputational risk, which are the responsibility of the Executive Committee.
- Oversight of the **compliance function** and establishment of a **risk and compliance culture** in the Group.
- This Committee is therefore responsible for the oversight and control of the activity performed by the Bank's executive areas that comprise **the second line of defence**, with the exception of the oversight and control functions which are the responsibility of other Committees.

#### ■ **Appointments and Corporate Governance Committee**

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

#### ■ **Remunerations Committee**

- Remuneration matters for which it is responsible 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 (risk takers).

#### ■ **Technology and Cybersecurity Committee**

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

#### ■ **Executive Committee**

- Established as a committee supporting the Board with regard to **strategy, finance, monitoring of the Group's business and risks**, as well as a **delegated body** of the Board within the remit established in its own regulations.

## 4.2. 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 exclusively of independent directors. The Technology and Cybersecurity Committee 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.

The composition of the Committees, as of the date of this document, is set out in the following table:

**C: Chair X: Member** **Executive** **Independent** **External**

Director	Executive	Audit	Appointments and Corporate Governance	Remunerations	Risk and Compliance	Technology and Cybersecurity
<b>Carlos Torres Vila (Chairman)</b>	<b>C</b>					<b>C</b>
<b>Onur Genç (Chief Executive Officer)</b>	X					
<b>José Miguel Andrés Torrecillas (Deputy Chair)</b>	X	X	<b>C</b>			
<b>Jaime Caruana Lacorte</b>	X	<b>C</b>			X	
<b>Raúl Galamba de Oliveira</b>					X	X
<b>Belén Garijo López</b>		X	X	<b>C</b>		
<b>Sunir Kumar Kapoor</b>						X
<b>Lourdes Máiz Carro</b>		X		X		
<b>José Maldonado Ramos</b>	X		X			
<b>Ana Peralta Moreno</b>		X		X		
<b>Juan Pi Llorens (Lead Director)</b>			X		<b>C</b>	X
<b>Ana Revenga Shanklin</b>					X	
<b>Susana Rodríguez Vidarte</b>	X		X		X	
<b>Carlos Salazar Lomelín</b>				X		
<b>Jan Verplancke</b>				X		X

The **composition** of the Committees was **reviewed** by the Board in 2020, in view of the redistribution of functions carried out in 2019 and the new composition of the Board following the resolutions approved by the General Shareholders' Meeting in 2020, as follows:

- José Miguel Andrés Torrecillas was appointed as a member of the **Executive Committee**, thus strengthening the independence of this Committee.
- The new members Raúl Galamba de Oliveira and Ana Revenga Shanklin were appointed as members of the **Risk and Compliance Committee**, strengthening the experience of this Committee as a whole in risk analysis and strategy, and sustainability, while also increasing the existing majority of independent directors on the Committee.
- Jan Verplancke and new member Carlos Salazar Lomelín were appointed as members of the **Remunerations Committee**, strengthening the knowledge and experience of this Committee as a whole in the management of human resources and international organisations, in particular with

regard to the definition of policies, strategies and remuneration schemes, as well as increasing the number of independent directors on the Committee.

- The new director Raúl Galamba de Oliveira was appointed as a member of the **Technology and Cybersecurity Committee**, reinforcing the Committee's knowledge and experience, in particular with regard to the technology and technological risks applicable to the financial sector, from a global perspective, as well as increasing the existing majority of independent directors on the Committee.

Furthermore, for the purposes of the proper functioning of BBVA's Corporate Bodies, it is essential that the functions distributed between the Board and the various Committees be **properly coordinated and there be sufficient interaction** between them, according to their respective remit. This is reinforced by having **directors sitting on various Committees**, something which has become especially significant in the context of 2020.

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. This cross-membership system also ensures that each Committee has the right balance of knowledge and experience, and it also helps ensure that the matters submitted for consideration by the Corporate Bodies are analysed from all possible perspectives by the specialist Committees.

### 4.3. Operation

The Committees perform their functions with **full independence** and in the manner that they consider most suitable for the fulfilment of their assigned functions, while maintaining full coordination between themselves and with the Board of Directors. To this end, the Committees are provided with the necessary means and their chairs have full autonomy to organise their operation however they deem most appropriate.

The **chairs** of the various Committees therefore call the meetings and determine their agendas, and are free to request, when they deem it appropriate, that the meetings are attended by executives responsible for the areas that manage matters within their remit, 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, hold preparatory meetings with Group staff as they see necessary and may also request the assistance of external experts.

In addition, it should be noted the **expert approach** with which the Corporate Bodies analyse their matters, whereby a subject is considered by several Committees from different angles, all in a coordinated manner which integrated into the procedures defined in each case. This expert approach is further reinforced by the fact that the minutes of all the Corporate Bodies are made available to all directors, and the **periodic reporting** by the Committees to the full Board, a mechanism implemented to strengthen the interaction of the Corporate Bodies and to ensure all directors are fully informed of the work carried out by the various Committees, through which descriptive reports on the activities carried out and the resolutions adopted by each of the Committees are made available to the Board.

The Committee structure proved its effectiveness during 2020, facilitating the efficient fulfilment of the management and oversight and control functions of the Corporate Bodies, in a particularly complex and changing environment due to the COVID-19 crisis, and it has resulted in the proper functioning of business and implementation of the Group's strategy.

As detailed hereinafter, through the performance of the functions entrusted to them by the Board, **the Committees bolster the decision-making process** by providing an analysis, assessment and challenge of the proposals submitted for their consideration directly from the executive areas, through an analysis of the documentation submitted in each case and through their direct interaction with the executives responsible for each matter.

Accordingly, the Committees carry out **proposal or reporting** functions prior to the consideration of certain matters by the Board, where some matters are analysed by more than one Committee, and from various perspectives. In addition to preliminary proposals and reports, the Committees carry out in-depth **monitoring, oversight and control of the management** of matters that fall within their remit, while some matters are monitored by various Committees from different perspectives.

## 5. Functioning of BBVA's Corporate Governance System

As stated in the previous sections, with a view to ensuring adequate operation, BBVA's Corporate Bodies ensure that their structure and composition are appropriate and suited to the needs of the Bank at all times.

Similarly, the operation of BBVA's Corporate Bodies, within the framework of BBVA's Corporate Governance System, is based on an appropriate **decision-making process**, a sound **informational model** and a **robust monitoring, oversight and control system**, as described below.

On this basis, BBVA's Corporate Governance System has adapted to the extraordinary circumstances created by the COVID-19 crisis, allowing for the smooth functioning of the Corporate Bodies and the proper performance of their functions.

### 5.1 Decision-making process and informational model

The functioning of BBVA's Corporate Governance System has, among its core elements, a robust decision-making process, which is achieved, as indicated in the previous section, through the **distribution of functions between the Corporate Bodies** and the **interaction** between themselves and with the executive area, with the following characteristics:

- 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 be **consistent and comply with the main decisions, policies and management guidelines** established by the Corporate Bodies themselves.
- Proposals must also respect the Bank's informational model and be accompanied by **sufficient, comprehensive, adequate and consistent information** so that the matter proposed may be analysed considering all aspects that may affect it.
- Before being considered by the Board of Directors, in general terms and according to their content and characteristics, the proposals and approaches are subject to **analysis and prior discussion by the various Committees**, with the Committees providing, as indicated above, a specific forum for discussion of the proposals that are to be submitted to the Board of Directors.

The informational model has demonstrated its robustness in 2020 where, in the context of the crisis, it has been effective and flexible, having been adapted to the needs of the Corporate Bodies at any given time, providing them with as much information as has been necessary or appropriate in order for them to best perform their functions.

## 5.2 Monitoring, oversight and control system

Another of the core attributes of the Bank's Corporate Governance System is a robust monitoring, oversight and control model, which determines the manner in which functions are carried out by the Corporate Bodies and which ensures the proper fulfilment of their functions. This system was **reinforced and revised during 2020** in order to ensure its solid and proper functioning, which has enabled the Corporate Bodies to oversee and control the development of the business and the activity of the Group, especially in the context of the crisis.

Thus, the Board of Directors' performance of its oversight and control functions is approached from different standpoints (i.e. **business management, financial statements and public information, risk management, capital, liquidity and funding position, regulation and internal control, technological and cybersecurity risk and corporate governance**). This extends to the set of decisions that establish the organisational structure and the roles and responsibilities of the heads of each area, thus enabling the comprehensive and effective oversight of the Bank and its Group.

The performance of the oversight and control functions falling within each of these specific spheres is addressed by the Board of Directors both directly, in its meetings, and in particular through its various Committees, which play a key role in assisting the Board in the exercise of certain functions, mostly those categorised as being oversight and control functions attributed to the Board.

In addition, BBVA's Corporate Governance System is configured in such a way that it guarantees the **independence** of the Group's **control functions** (Internal Audit and Regulation & Internal Control), by establishing direct reporting to the Board of Directors, through the Audit and Risk and Compliance Committees, respectively, which, in particular, includes:

- The appointment and removal of the head of the area by the Board, on the relevant Committee's proposal.
- The establishment of the objectives and performance assessment of the head of each area by the Board, 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.





## 6. Performance assessment of the Board and Committees

### ■ Assessment process for the Corporate Bodies

As part of the process of constant analysis, evolution and improvement of the Corporate Governance System, in order to ensure the proper operation of the Corporate Bodies and their evolution in order to adapt to requirements at any given time, a process for **assessing the performance of the Board of Directors of BBVA** is formally conducted each year by the Board itself, based on the report submitted by the Appointments and Corporate Governance Committee.

On an annual basis, the Board also assesses the following:

- the quality and efficiency of the operation of its **Committees** based on the reports submitted to the Board by the respective Committee chairs.
- the performance of the functions of the **Chairman**, based on the report submitted by the Appointments and Corporate Governance Committee.
- the performance of the **Chief Executive Officer**, based on the report submitted by the Appointments and Corporate Governance Committee, integrating the assessment made by the Executive Committee.

Along with this assessment process, the Bank's Corporate Governance System is constantly being reviewed and updated, through the adoption of any measures deemed necessary or desirable at any time in order to facilitate its better functioning.

### ■ Self-assessment by the Corporate Bodies in 2020

Within the framework of the above, the self-assessment process for 2020 was conducted after consolidation of the review of the effectiveness of BBVA's Corporate Governance System carried out in 2019. In addition, in 2020, further measures have been defined and implemented to continue to strengthen the effective functioning of the System and the performance of the functions of the Corporate Bodies, thus favouring their evolution and adaptation to the needs of the Corporate Bodies at any given time, based on the circumstances that may affect the Bank and its Group.

Consequently, the self-assessment process of the Corporate Bodies for 2020 consisted of an in-depth **analysis and evaluation of the quality and efficiency of the functioning of the Corporate Bodies and of the performance of the Chairman and the Chief Executive Officer by the Appointments and Corporate Governance Committee**, taking into account several elements, such as the result of the Board's self-assessment for 2019 and the improvement measures identified over the last year, the views of the Bank's directors on the operation of the Board and also the various reports on the activity carried out by the Corporate Bodies in 2020, as set out in the previous section.

In this regard, summaries of the activities carried out in 2020 by the various Committees who perform oversight and control functions, which include the work carried out by them during the financial year in accordance with the functions entrusted to them, are included as an **Appendix** to this document.

In light of the above, the Board of Directors completed its annual self-assessment process, concluding that the operation of the Corporate Bodies during 2020 has been very positive, with the following being particularly noteworthy:

- The **adequate and diverse composition of the Corporate Bodies**, adapted to the needs of those bodies at any given time, derived from the refreshment process of the Board and its Committees carried out in recent years; which, as described in sections 3.2 and 4.2 of this

document, has enabled to ensure that the Board, as a whole, possesses the appropriate knowledge, skills and experience in order to understand the strategy and business, activities and main risks of BBVA and its Group and to adequately carry their functions. Its members are highly skilled in the most relevant areas to manage and oversee the Bank, as well as highly diverse and independent. This has been reinforced by the appointment of three new members in 2020, who have completed the knowledge and experience of the Board in key areas for BBVA such as banking, financial services, sustainability, strategy and macroeconomic environment, and innovation and technology; and have strengthened the gender diversity and international experience in the geographical areas in which the Group operates.

- The **adaptation of the dynamics, operation and activity of the Corporate Bodies during the year in order to ensure proactive and dynamic management and oversight of the crisis caused by COVID-19**, which has impacted the Entity at all levels, and which, as described in section 3.1 of this document, has meant that the Corporate Bodies: have reinforced their monitoring of the impact of the crisis and the management of the Group's activities, business and results; have strengthened the interaction between the Board, its Committees and the executive team for the analysis of all relevant information on the evolution of the crisis and its management by the Bank; have directly and continuously overseen and controlled the management carried out by the executive team; and have considered the need to adapt the procedures of their meetings, both in terms of how they are held and with regard to the number of meetings and the prioritisation of matters; along with the high dedication of their members to the performance of their duties.
- The **consolidation of the measures to improve governance structures implemented during 2019; together with the implementation of additional measures in 2020** in order to strengthen and improve efficiency in certain aspects of the organisation and operation of the Corporate Bodies, in particular with regard to meeting procedures, the informational model, strengthening of the distribution of functions among the Corporate Bodies and oversight and control, as described, in particular, in section 5 of this document.
- The **approval and updating of key general policies** for the Group, through which the Corporate Bodies establish the general principles, objectives and main management and control guidelines to be followed by the BBVA Group in its various fields of action, strengthening the way in which matters of particular relevance to the Group are addressed.
- The **boost** given, comprehensively and transversally, to the **Group's values** and to the **integration of sustainability** in all aspects of the Bank's activity, as described in section 3 of this document, highlighting that the Strategic Priorities defined and the Purpose of the Bank are fully valid.

As a result of the self-assessment process carried out, a set of improvement measures have been identified, mainly related to the **organisational and operational procedures** of the Corporate Bodies, as an addition to the measures that have already been implemented during 2020 as a result of the previous self-assessment exercise. These include:

- Initiatives related to the organisation of the meetings of the Corporate Bodies, their contents, and the format for the presentation of matters submitted for consideration;
- Measures to strengthen the interaction and reporting between the Corporate Bodies and with the executive area, in particular, in order to make more time to discuss matters that are relevant to the Group;
- To consolidate the governance model and reporting to Corporate Bodies regarding sustainability matters;

- To make progress in the governance model for data, planning the reporting to Corporate Bodies regarding this matter;
- As well as continuing to work on diversity, in particular in order to achieve the target of women representing 40% of the Board, as set out in the Selection Policy.

In addition, the constant evolution of BBVA's Corporate Governance System and the composition, structure and operation of the Corporate Bodies will continue, introducing any improvements that are necessary or appropriate in view of the environment in which BBVA operates and its own reality and needs.

All of the above demonstrates the ability of the Corporate Bodies to develop and implement a **Corporate Governance System that is solid, efficient and adapted to the reality of the Bank and to its circumstances and needs**; which has enabled the Corporate Bodies to tackle the especially challenging 2020 year from a **position of strength and resilience** in terms of suitable composition, distribution of functions, decision-making process and oversight and control.

\* \* \*



## **APPENDIX**

### **ACTIVITY OF THE BOARD COMMITTEES IN 2020**

## Activity of the Audit Committee

In accordance with article 48 of the Bylaws and article 32 of the Regulations of the Board of Directors, BBVA's Board, in order to better perform its functions, has set up an Audit Committee that assists it in **overseeing the preparation of financial statements** and **public information**, the relationship with the **External Auditor** and those related to the **Internal Audit** area.

In addition to the provisions set out in the legislation and in the Regulations of the Board of Directors, the Committee's functions, operation rules and composition are set forth in its own Regulations, approved by the Board of Directors and available on the Bank's website, [www.bbva.com](http://www.bbva.com), at the Corporate Governance and Remuneration Policy section, under Shareholders and Investors section.

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. Thus, in order to draw up the present report, the recommendations established by the Spanish National Securities Market Commission (CNMV) Technical Guide 3/2017 on audit committees at public interest entities are taken into consideration.

### 1 Composition

In accordance with the Regulations of the Board of Directors, the Audit Committee will be exclusively composed of independent directors.

No changes were made to the composition of the Audit Committee in 2020. At the close of the 2020 financial year, the Audit Committee comprised the following directors, all of whom were independent directors:

Director	Role	Status	Date of appointment as a Committee member
Jaime Caruana Lacorte	Chair	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. As a whole, Committee members have the 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](http://www.bbva.com)), under the Corporate Governance and Remuneration Policy section.

### 1 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, in accordance with the proceedings set forth for the calling of ordinary and extraordinary 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 Committee performs its duties with full operational autonomy, and it is led 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 promotes constructive dialogue amongst them, encouraging the free expression of their views.

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.

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 seeks to ensure that the presence of persons outside the Committee during these meetings, such as employee or manager of the Bank, be limited to those cases where it is necessary and to the items of the agenda for which they are called. In any event, the Committee will endeavour to hold private meetings with the head of the Internal Audit area and with the external auditor's representatives, without the attendance of other persons and at appropriate intervals.

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 Audit Committee met on a total of 13 occasions over the course of the 2020 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.

In addition, the Committee has reported to the Board of Directors on the activity performed by the Committee in each one of its meetings, through reports made available to the Board members in the Board meetings held after the corresponding Committee meeting.

## **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, half-yearly and quarterly reports, as well as 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 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-election 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-election 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 of the Audit Committee 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 tax havens or territories considered to be tax havens; and related-party transactions.

## **■ Activity of the Committee in 2020**

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 2020 financial year, are listed below:

### **• Financial and accounting information**

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, KPMG Auditors, S.L., the manner of which will be described below.

These financial information supervision functions were performed through a continuous process throughout the financial year, with monthly monitoring of the evolution of the main figures on the balance sheet and income statement, the quarterly and half-yearly financial reports, the closing results of each period and the preparation process for the corresponding financial information, paying special attention to the accounting criteria applied and any changes therein, the applicable accounting standards and the changes in the Group's consolidation perimeter. The Committee also analysed any additional information that it considered appropriate for better performance of its functions.

In addition, as a result of the crisis caused by the spread of COVID-19, over the course of the 2020 financial year, the Committee has continuously monitored and analysed the impacts which would affect the balance sheet and income statement of the Bank and its Group from an accounting perspective.

Particularly noteworthy are the analysis and monitoring performed on (i) the extraordinary update made to the macroeconomic information required for the calculation of expected losses due to credit risk in application of the accounting standard IFRS 9; (ii) the results corresponding to the impairment test carried out on the goodwill recorded in the Group's accounts, in compliance with International Accounting Standard (IAS) 36, and the methodology used for this assessment; (iii) the extraordinary provisions applied as a result of the COVID-19 crisis, (iv) the scope and impact of the moratorium measures agreed upon and (v) additional breakdowns required in accordance with the recommendations of the Group's main supervisors, in relation to financial information, among other matters.

Hence, prior to their consideration by the Board of Directors, the Committee oversaw the preparation of the individual and consolidated annual financial statements for the financial year, the half-yearly and quarterly financial statements, to guarantee their accuracy, reliability, sufficiency and clarity, as well as other relevant financial information, including the CNMV Universal Registration Document, Form 20-F of the Securities and Exchange Commission (SEC), and the Prudential Relevance Report, among others, submitting to the Board the relevant reports and/or favourable opinions of the Committee on the financial information.

With regard to the Annual Financial Statements of the Bank and the consolidated Group for the 2020 financial year, which are submitted for consideration by the Bank's 2021 Annual General Shareholders' Meeting, it should be noted that the Audit Committee has offered its favourable opinion to the Board of Directors. The Committee's opinion was that, with regard to content and form, the statements comply with the requirements and recommendations stipulated by the regulatory authorities and have been prepared in accordance with the applicable accounting policies and criteria.

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 Committee also monitored and expressed its agreement with the non-financial information required by the relevant legislation; specifically by Act 11/2018 of 28 December, which is incorporated in the Management Report of the Bank and its consolidated Group and includes 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, 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 2020 financial year, under the same terms for which they were submitted to the Bank's 2021 Annual General Shareholders' Meeting, and that they be accompanied by the corresponding audit report issued by the external auditor, KPMG Auditors, 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 to explain their audit opinion on the Annual Financial Statements of BBVA and its Group for the 2020 financial year and on the evolution of the accounting, financial and risk situation of the Bank and its Group.

- **Internal control systems**

The Committee oversaw the sufficiency, suitability and effective functioning of the internal control systems established by the BBVA Group and the risk management systems for the process of preparing the financial information, including tax systems.

In this regard, 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. It submitted to the Board of Directors the corresponding Committee report, expressing its favourable opinion on the internal control systems established by the Group for the process of preparing the financial information.

- **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 data, the Audit Committee has established appropriate relations with the external auditor, KPMG Auditors, S.L.

At all Committee meetings held during 2020, the external auditor's representatives 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.

As regards the completion of audits, the Committee has been informed and analysed, among others, the following matters:

- The progress of the work carried out by the external auditor over the course of the financial year, including the planning of the audit of the annual financial statements of the Bank and its Group, of the half-yearly and quarterly financial statements, as well as other relevant financial information subject to audit.
- Audit opinions and limited review reports issued regarding the Group's financial information, to be recorded by various national and international supervisors, which in all cases resulted in a favourable and unqualified opinion on the part of the external auditor.

- Opinions on the Group's internal control system for the process of preparing financial information, including that required by the US Sarbanes Oxley Act (SOX), also issued with a favourable and unqualified opinion.

The Committee has also relied on the participation of those in charge of the external auditor at all meetings held by the Committee during the financial year, establishing constant contact through the Committee Chair. It has held business meetings to analyse certain specific issues related to the information subject to audit and to facilitate the Bank's response to any potential incidents that may have arisen during the course of their work.

Similarly, the Committee 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, establishing incompatibility between the provision of audit and consulting services. It 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 checked the statements made by the external auditor regarding its confirmation of independence with regards to BBVA and its Group companies, issuing the Committee's corresponding report on the external auditor's independence, as per the requirements set out by applicable regulations, which is attached to this report as an appendix in accordance with recommendations of good governance.

In addition, the Committee has analysed the proposal for External Auditor's fees for the 2020 financial year, prior to it being submitted to the Board for consideration, as well as the quality of the work carried out by the external auditor during the financial year. It agreed to submit to the Board of Directors the proposal for the re-election of KPMG Auditors S.L. as auditor of the Bank and its Group for the 2021 financial year, which is submitted for approval by the next 2021 Annual General Shareholders' Meeting.

- **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 monthly meetings, the Committee has supervised the development and degree of compliance of the Annual Internal Audit Plan for the 2020 financial year, as well as approved the Annual Plan scheduled for 2021.

In terms of monitoring the effectiveness of the Internal Audit area, the Committee has been informed of and analysed the results of its most relevant work, any weaknesses and possibilities for improvement, the reports issued by this area and the recommendations made, as well as the specific action plans defined and implemented for their resolution, regularly monitoring those that were most relevant to the Bank and its Group.

The Committee has also been made aware of the adjustments made to the Annual Internal Audit Plan for the 2020 financial year, resulting from the contingency situation caused by COVID-19. It has analysed the extraordinary measures taken in the area to ensure the continuity of its activity in all geographies where the Group operates, changes made to the working methodology, the re-planning of some of the work planned and the design of new alternative work based on the risk analysis review, which had the prior agreement of the Committee.

Similarly, the Committee has ensured that the Internal Audit area has the necessary material and human resources for effective performance of its functions, overseeing the efficiency and operation of the role, the organisational measures set out, as well as its independence from other areas of the Bank for such purpose.

With regard to the Strategic Plan established by the Internal Audit Area for the 2020–2024 period, the Committee was informed of and monitored its progress during the financial year, analysing the development of all projects established for each of the strategic priorities defined, as well as the degree of implementation of the improvements identified following the review process of the Internal Audit function by an independent external expert.

In addition, and prior to its consideration by the Board, the Committee has analysed the proposal to update the Internal Audit Function Charter, on the basis of the regulations governing the function, existing best practices and recommendations in this area and the latest organisational changes established in the Group.

Similarly, it has ratified the engagements for the so-called additional audit services not included in the global proposal for external audit services, which had been pre-approved by the Chair of the Committee, analysing their compliance with 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 evaluated the performance of the head of Internal Audit based on the system of indicators and targets proposed by the Group's Talent & Culture area.

- **Tax risks**

The Committee has continuously monitored the main issues relating to the Group's tax risks during the financial year, supervising tax strategy and management. This included, among other matters, the real tax rate, total tax risk, the tax position on capital, as well as the main criteria used, the main decisions adopted and the impact on the Group's financial information.

- **Corporate transactions**

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 transaction 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 has reviewed and issued a favourable report on the accounting considerations of relevant corporate transactions agreed during the financial year to the Board of Directors. To this end, it has relied 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 2020 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 of significance to the Bank or its Group.

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All of the above issues, along with other matters within its remit, were included in the Committee's activity report for financial year 2020, which, along with the quarterly reports by the Chair of the Audit Committee on the Board of Directors during the financial year and the activity reports of the Committee made available to directors, has allowed the Board to be informed on the activities carried out by the Committee and assess its operation.

The Audit Committee, at its meeting of 27 January 2021, analysed the Committee's activity report for the 2020 financial year, which, in compliance with the provisions of the Regulations of the Board of Directors, the Chair of the Audit Committee presented to the Bank's Board of Directors at its meeting on 28 January 2021 for the purpose of assessing its functioning. Following analysis of the aforementioned report, the Bank's Board of Directors assessed the quality of the work performed by the Committee, in compliance with its attributed functions, giving a favourable assessment of the quality and efficiency of its operation.

## APPENDIX

### AUDIT COMMITTEE REPORT ON THE INDEPENDENCE OF KPMG AUDITORES, S.L. AS EXTERNAL AUDITOR

#### 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 its Group, prior to issuing the audit report for the annual financial statements for the 2020 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 the 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 Auditor; 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 5 February 2021, 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, 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 and of Regulation (EU) 537/2014, of 16 April. 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 2020 financial year, the Committee states that these services are those described in the independence statement issued by KPMG on 5 February 2021, 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 independence statement, as verified in the corresponding report issued by the Group's Internal Audit area and sent to the Audit 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 2020 financial year, considered individually and as a whole, as derived from the analyses conducted by both the External Auditor and the Group'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, BBVA's Board, in order to best perform its functions, has set up a **Risk and Compliance Committee** to assist it in its functions regarding **decision-making, monitoring, oversight and control of risks, internal control (including compliance), and supervisory communications**.

In addition to the provisions set out in the legislation and in the Regulations of the Board of Directors, the Committee's functions, operation rules and composition are set forth in its own Regulations, approved by the Board of Directors and available on the Bank's website, [www.bbva.com](http://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, including the Chair.

At the end of 2020, the Risk and Compliance Committee was comprised of the following directors:

Director	Role	Status
Juan Pi Llorens	Chair	Independent
Jaime Félix Caruana Lacorte	Member	Independent
Raúl Galamba de Oliveira	Member	Independent
Ana Revenga Shanklin	Member	Independent
Susana Rodríguez Vidarte	Member	External

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 information regarding their knowledge and experience, is available on the Entity's website.

## ■ 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, in accordance with the proceedings set forth for the calling of ordinary and extraordinary meetings. The Committee has established an annual calendar of meetings, taking into account the amount of time to be devoted to the different functions.

The Committee performs its duties with full operational autonomy, and it is led 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 promotes 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 the meetings, in particular, Regulation & Internal Control area and Risks area, and, 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 seeks 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 of 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 provided by experts or technical staff within the Group on grounds of specialisation or independence; and may solicit personal cooperation and reports from any employee or member of the Senior Management if deemed necessary in order to comply with its functions in relevant matters.

In the performance of its functions, the Committee has the full cooperation of the Bank's executive and support areas at all times, in addition to the support 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 information on financial risks made available to the Committee from the various areas of the Bank.

During the 2020 financial year, the Risk and Compliance Committee met on 23 occasions, and every Committee member attended all of the meetings held.

Likewise, the managers of areas and units responsible for the matters covered also participated in these meetings. In particular, the Committee has received a monthly reports from the head of the Risks area (Global Risk Management) and from the head of the Regulation & Internal Control area.

In addition, the Committee has also received reports from the heads of the different types of financial risks, the risk managers for the Group's main geographical areas, and the heads of the Non-Financial Risks, Internal Risk Control and Compliance units at corporate level, depending on the issues covered at each meeting,

In turn, the Committee reports regularly (at least quarterly) to the Board of Directors on the activities undertaken and resolutions adopted by the Committee.

## ■ Functions

The main 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, based on 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.

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

- Supervise the effectiveness of the Regulation & Internal Control function (under whose direction the areas of Supervisors, Regulation and Compliance are included, as well as Internal Risk Control and Non-Financial Risk).
- Ensure compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition, and ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in an appropriate manner.
- Obtain information on all violations of internal or external regulations and any significant events detected by the areas reporting to it during its monitoring and control operations. The Committee shall also be notified about significant issues relating to legal risks that may arise during the Group's operations.
- Supervise the Group's criminal risk prevention model.
- Examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and give its opinion in advance of the proposals to be made to the Corporate Bodies.
- Review and supervise the systems under which Group professionals may confidentially report any irregularities in terms of financial information or other matters.
- Have knowledge of the reports, submissions or communications from external supervisory bodies, and confirm that the instructions, requirements and recommendations received from the supervisory bodies are implemented in due time and in an appropriate manner in order to correct any irregularities, deficiencies or inadequacies detected in the inspections performed by them.

In addition, the Committee reports, 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 2020

The main activities carried out by the Risk and Compliance Committee throughout the 2020 financial year are:

### • 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, on the strategic bases set out at any time by the Board of Directors and the Executive Committee.

They include, firstly, BBVA Group's Risk Appetite Framework. In this regard, the Risk and Compliance Committee analysed the proposed Risk Appetite Framework for the Group for 2020, drafted by the Risk area (in collaboration with the Regulation & Internal Control area) 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 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 from and received support the head of the Risk area of the Group 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 2020 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, in accordance with the strategic bases established by the Executive Committee, and then submitted both CAS and LAS proposals to the Board of Directors for its consideration and, where appropriate, approval.

In the course of this work, the Committee was assisted by the Risk, Finance and Regulation & Internal Control 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 general risk management and control policies**

The Risk and Compliance Committee participated in the annual review and updating of the Group's general policies for the management and control of the main financial and non-financial risks of the Group, to ensure that they are consistent with the Group's General Risk Management and Control Model.

The general risk policies updated in 2020 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 had sufficient time to formulate suggestions, changes and comments regarding the updated texts of the policies initially presented by the various units within the Risk area and the Non-Financial Risks unit (which, in turn, forms part of the Regulation & Internal Control area), depending on the policy in question.

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

During 2020, the Risk and Compliance Committee monitored the evolution of the various risks to which the Group is exposed.

This monitoring covered both main 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 Board of Directors.

To this end, the Risk and Compliance Committee received and analysed information from the Risk area and the Regulation & Internal Control area at appropriate intervals and received support from

the head of Risk area, 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 compliance of the risk metrics established for the 2020 financial year, with the necessary frequency and level of detail to ensure adequate monitoring of main risks to which the Group is exposed.

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 particular, and since the outbreak of the COVID-19 pandemic, the Committee has been continuously monitoring those risks most affected by the pandemic, with a focus on the behaviour of those credit portfolios which has been subject to legal or sectorial moratoria, as well as new lending operations granted with public guarantees.

In addition to the foregoing, the Risk and Compliance Committee received periodical 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. The Risk and Compliance Committee was also periodically provided with information about the qualitative risk operations authorised by the Risk area.

- **Group Recovery Plan**

In the context of its functions of prior report regarding 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 monitor the development of stress scenarios and verify their alignment with the approved Risk Appetite Framework, prior to its submission for consideration and, where appropriate, approval by the Executive Committee and the Board of Directors. 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 the Risk area 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 implement 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, oversight and control functions with which it has been entrusted.

- **Participation in the analysis remuneration matters**

The Committee was involved in the establishment of the multi-year performance indicators for the 2020 annual variable remuneration, as well as the scales of achievement for the multi-year performance indicators for the 2019 annual variable remuneration, analysing their alignment with appropriate, effective and prudent risk management, prior to their submission to the Board by the Remunerations Committee.

- **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 Board of Directors. 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 2020, 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 Committee also verified the progress and effectiveness of the various actions and initiatives designed by the Risk area and by the Regulation & Internal Control area to strengthen the Group's risk and compliance culture, in order to enable the Group to perform its functions in a secure environment, and to encourage the mitigation of the financial and non-financial risks inherent in the Bank's activities.

- **Oversight, monitoring and control of the activity of the Regulation & Internal Control function**

As part of its functions 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 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.

The Risk and Compliance Committee has received monthly information from the head of Regulation & Internal Control regarding the activity carried out by each of the units that comprise that area, with a focus on the work carried out to tackle the impact of the pandemic. In addition, the Committee has received periodic reports directly from the heads of Compliance, Non-Financial Risks and Internal Risk Control, all of which fall under the Regulation & Internal Control area.

- **Compliance-related functions**

Regarding the functions of the Committee in relation to compliance, it should be noted first that during 2020, the Committee analysed each of the policies prepared by the executive areas in this regard (e.g. conflicts of interest, anti-corruption), issuing its favourable opinion prior to their submission to the Board to be approved or updated. Before being approved by the Board of Directors, the Committee also examined the new Charter of the Compliance Function, which was updated in 2020 to ensure its alignment with new regulations, supervisory expectations and the BBVA Group's organisational structure.

The Committee also regularly monitored information received by the Compliance unit over the course of the financial year regarding the Group's compliance with applicable internal and external regulations. The Committee examined the findings of the independent review processes carried out both internally within the Group and externally by the competent authorities, as well as the degree of progress in implementing planned measures within the various areas of activity (e.g. conduct, prevention of money laundering and terrorist financing, data protection). It also specifically monitored the activity of the Compliance unit in relation to the MiFID (*Markets in Financial Instruments Directive*) regulations and bank transparency.

Moreover, the Committee was periodically informed of the findings of external audits and any other reviews carried out by external experts on compliance-related matters, including existing internal control measures concerning the prevention of money laundering and terrorist financing.

The Committee also monitored the main legal risks deriving from litigation to which the Group is exposed. Furthermore, regarding compliance with applicable internal regulations, the Committee was informed by the heads of the relevant executive areas of any pertinent compliance-related issues concerning the implementation of internal regulations (e.g. general policies, procedures) approved by the Group.

Regarding BBVA's Crime Prevention and Criminal Risk Management Model, the Committee was informed of its development over the course of the financial year and the main lines of work involved in relation to the model's various elements.

The Committee was also informed by the head of the Compliance unit—the unit responsible for promoting and ensuring, in an independent and objective manner, that BBVA acts with integrity, particularly in areas such as anti-money laundering, conduct with clients, security market conduct, anti-corruption and other aspects of corporate conduct—of the functioning of the whistleblowing channel, as well as of the noteworthy aspects of the area.

Finally, the Committee analysed the degree of implementation of the Compliance unit's Annual Plan for 2019. It also examined the Annual Plan set out for 2020, as well as monitoring its progress in terms of implementation, which was impacted by the crisis environment and extraordinary activity carried out following the outbreak of the pandemic.



- **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.

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All the above issues, along with other matters within its remit, were included in the Committee's activity report for financial year 2020, which, along with the quarterly presentations made by the Committee Chair to the Board of Directors throughout the financial year and the activity reports of the Committee made available to directors, has allowed the Board to be informed on the activities carried out by the Committee and assess its operation.

Thus, the Board of Directors received, in its meeting held on 22 December 2020, the report of the Committee Chair on the activity carried out during the financial year. The Board assessed the work carried out by the Committee, in accordance with the functions assigned to it, giving a favourable assessment of the quality and efficacy of its operation.

# 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, *inter alia*, the **selection and appointment** of members of the Board of Directors; the **assessment of performance**; 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 functions, operation rules and composition are set forth in its own Regulations, approved by the Board of Directors and available on the Bank's website, [www.bbva.com](http://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 CNMV 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, appointed by the Board of Directors. All members must be non-executive directors, and the majority, including the Chair, must be independent directors.

In 2020, the composition of the Appointments and Corporate Governance Committee was unchanged and, at the close of 2020, it was comprised of the following directors:

Director	Role	Status	Date of appointment as a Committee member
José Miguel Andrés Torrecillas	Chair	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, skills and experience to perform their duties. The profiles of each member of the Committee, including information regarding their knowledge and experience, are available on the Entity's website.

## ■ Operation

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

The Committee met on four occasions in 2020, with all of its members participating in the meetings.

The Committee performs its duties with full operational autonomy, and it is led 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 promotes 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 the 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 seeks 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 of 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 provided by experts or technical staff within the Group on grounds of specialisation or independence; and may solicit personal cooperation and reports from any employee or member of the Senior Management if deemed necessary in order to comply with its functions in relevant matters.

In addition, the Committee has reported to the Board of Directors on the activity performed by the Committee in each one of its meetings, through reports made available to the Board members in the Board meetings held after the corresponding 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 (*Consejero Delegado*), the Board of Directors as a whole and the Board's committees, and 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 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.

## **1 Activity of the Committee in 2020**

The main activities carried out by BBVA's Appointments and Corporate Governance Committee in 2020, 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 progressive and orderly refreshment process carried out by the BBVA Board of Directors, based on an appropriate rotation of its members, with a view to ensuring that the structure and composition of the Board remain balanced and suited to requirements at any given time, and that it has directors with different profiles and experience, thereby meeting the needs of BBVA's Corporate Bodies in accordance with the principles set out in the Selection Policy, described in this document.

To this end, the Appointments and Corporate Governance Committee, in the performance of its functions, assesses the balance of knowledge, skills and experience on the Board, the conditions candidates must satisfy to fill any vacancies that arise, and the time commitment considered necessary to enable them to adequately carry out their duties, according to the needs of the Corporate Bodies at any given time.

In addition, the Appointments and Corporate Governance Committee carries out the renewal and selection of directors within the framework of the aforementioned progressive and orderly refreshment process, taking into consideration, among other matters, the criteria described in the Selection Policy, such as diversity in the composition of the Board, promoting the inclusion of people with different profiles, knowledge, training, experience and qualities, the fulfilment of applicable legal requirements, such as suitability, and the absence of limitations or incompatibilities, among other things.

In this regard, the Committee ensures that the selection processes favour diversity; that, in general, they are free from implicit biases that could result in any kind of discrimination; and that they ensure that they facilitate the selection of a sufficient number of female directors to guarantee a balanced representation of men and women, in the terms set out later in this document, endeavouring to ensure that women with the relevant professional profile are included amongst potential candidates.

In the performance of its functions, the Appointments and Corporate Governance Committee may employ external services to select potential candidates, when it deems this necessary or appropriate.

When drafting proposals for the appointment of directors, the Committee will take into consideration, in case they may be considered suitable, any requests made by any member of the Board of Directors regarding potential candidates to fill the vacancies that have arisen.

All of the above was taken into consideration at the beginning of 2020, in relation to the re-elections and appointments that were submitted to the Annual General Shareholders' Meeting held in March 2020.

Thus, with regard to the directors whose appointment and re-election was approved by the General Meeting (in particular, the re-election of a female independent director and a female external director and the appointment of two independent directors and one external director), the Committee verified that they all had the knowledge, skills and experience required to perform the role of director, that they met the necessary suitability requirements and that they had no limitations or incompatibilities for the position; and it also reviewed the status that each candidate for appointment or re-election would have.

The Committee also analysed and confirmed the contribution that each candidate would make to the adequate composition of the Board of Directors, as well as to the proper operation and performance of functions of the Corporate Bodies.

Following this, the Committee agreed to submit its respective reports or proposals, as the case may be, in accordance with its Regulations, as indicated in this document.

Finally, ahead of the 2021 Annual General Shareholders' Meeting, the Committee again analysed the structure, size and composition of the Board, within the framework of the progressive and orderly refreshment process, also taking into consideration the number and profiles of directors whose three-year terms end in 2021 and the provisions of applicable regulations, the Regulations of the Corporate Bodies and the Selection Policy, as indicated above.

All of the above formed the basis of the Appointments and Corporate Governance Committee's proposals and reports on director re-elections, which are submitted, in turn, by the Board of Directors to the 2021 Annual General Shareholders' Meeting, as can be verified with the documentation made available to the Bank's shareholders for said General Meeting.

- **BBVA Board of Directors selection, suitability and diversity Policy (Selection Policy)**

The Appointments and Corporate Governance Committee revised the Selection Policy in 2020, and proposed its update to the Board of Directors, which approved it at the end of the year.

This Selection Policy sets out the principles and criteria governing the process for the selection, appointment and renewal of the members of the BBVA Board of Directors, as well as the legal requirements that directors must meet, including suitability requirements. This Policy also provides for the elements and objectives concerning the composition of the Corporate Bodies, including diversity, which will be attended to ensure that the Corporate Bodies properly exercise their functions and to guarantee their effective functioning. All the foregoing in the Bank's best corporate interest.

- **Target for representation of the lesser-represented gender on the Board of Directors and guidelines on how to reach that target**

In accordance with the Selection Policy, it will strive to ensure that the Board of Directors has a balanced representation of men and women. To this end, the Committee has set a target for representation of the lesser-represented gender, namely to endeavour that female directors represent at least 40% of the Board of Directors by the end of the 2022 financial year and beyond, not dropping below 30% prior to this.

In addition, the Selection Policy sets out the principles and criteria governing the processes for the selection, appointment and renewal of Board members, including, inter alia, that the Committee shall



ensure that diversity within the Board is favoured; that, in general, the processes are not impaired by implicit biases that may lead to any form of discrimination; and that they facilitate the selection of a sufficient number of female directors to guarantee a balanced representation of men and women, in the terms set out in the previous paragraph.

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

In compliance with its functions 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, as well as its assessment of the performance of duties of the Chairman of the Board and of the Chief Executive Officer during 2020.

Similarly, the Committee has determined the procedure for assessing the performance of the Board, the Committees, the Chairman of the Board and the Chief Executive Officer for 2020.

To this effect, in 2020, 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' status, their independence and suitability, as well as the level of dedication of the Board members required for the proper performance of the directors' duties and the function of the Corporate Bodies. All in accordance with the needs of Corporate Bodies at any given time and taking into consideration the Selection Policy.

Following this, 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 evolution of the Corporate Governance System during the year, the operation of the Corporate Bodies during the year, the activities carried out in the fulfilment of their functions, the functioning of the decision-making process, the oversight and control functions, the information model, the organisation and planning of meetings, and the operation and coordination of the Committees, among other matters. The assessment procedure incorporated the opinions of the directors, among other information.

Following this, the Committee resolved to provide a favourable report on the quality and efficiency of the operation of the Board of Directors in financial year 2020.

The Appointments and Corporate Governance Committee has additionally analysed the performance of the duties of the Chairman and the Chief Executive Officer in 2020, having integrated into the assessment procedure the opinions of the directors, among other information, as well as, in the case of the Chief Executive Officer, the assessment of the Executive Committee, having resolved to report very favourably on the performance of duties of both roles in financial year 2020.

- **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 Committee has analysed the suitability of BBVA directors to perform their duties and has reported favourably to the Board of Directors in this regard.

- **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 2020; analysed possible changes in their personal circumstances; and concluded that there were no reasons for them not to retain their independent status. 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 2020, the Committee analysed the proposals for the removal and appointment of members of the Bank's Senior Management submitted over the course of the year. The Committee analysed the required profile, the steps taken in the candidate identification process, the candidates under consideration, and 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.

- **Assessment and review of the Corporate Governance System**

Following the assumption, in 2019, of new functions relating to the Bank's Corporate Governance System, the Committee worked on this matter intensively in 2020: monitoring and overseeing the improvements made in the Bank's Corporate Governance System during the financial year, reviewing the draft Annual Corporate Governance Report for 2019 and being informed of the main amendments to certain recommendations included in the Good Governance Code of the National Securities Market Commission (CNMV).

In addition to the above, the Committee analysed the proposed BBVA Group Corporate Governance General Policy, which formalises and develops the general principles, objectives and main characteristics of the Group's corporate governance and its internal organisation, including the model governing the relationship between BBVA and the entities that comprise its Group, issuing its favourable opinion prior to its submission to the Board for approval.

The Committee also received information on the outcome of the 2020 Corporate Governance Roadshow, according to which meetings were held with the Bank's main institutional investors and proxy advisors over the last months of the year, in order to explain the main elements of the Bank's Corporate Governance System and its evolution during the year, and to receive their feedback and points of view and to respond to their information requests. A joint team from the General Secretariat and Investor Relations areas took part in these meetings, as well as the Lead Director.

Lastly, the Committee was informed about the preliminary outcome of the analysis of the national and international regulations that had been revised during 2020, as a result of which a series of amendments to the Bylaws and the Regulations of the General Meeting was deemed necessary, to be submitted, where applicable, to the 2021 General Shareholders' Meeting.

- **Matters of director conduct**

The Committee verified that the circumstances set out in the BBVA Directors' Remuneration Policy for the application of malus and clawback clauses related to the conduct of executive directors, had not occurred, for the purpose of payment of the variable remuneration accrued in previous years.

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All of the above issues, along with other matters within its remit, were included in the Committee's activity report for financial year 2020, which, along with the activity reports of the Committee made available to directors, has allowed the Board to be informed on the activities carried out by the Committee and assess its operation.

Thus, the Board of Directors received, in its meeting held on 28 January 2021, the report of the Committee Chair on the activity of the Committee carried out during 2020. The Board of Directors assessed the work carried out by the Appointments and Corporate Governance Committee, in accordance with the functions assigned to it, giving a favourable assessment of the quality and efficacy of its operation.

## Activity of the Remunerations Committee

In accordance with article 48 of the Bylaws and article 34 of the Regulations of the Board, the Board of Directors, in order to better perform its functions, has set up a **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 provisions set out in the legislation and in the Regulations of the Board of Directors, the Committee's functions, operation rules and composition are set forth in its own Regulations, approved by the Board of Directors and available on the Bank's website, [www.bbva.com](http://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/2015/22) of the European Banking Authority, and the CNMV Technical Guide 1/2019 on nomination and remuneration committees.

### 1 Composition

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

At the end of 2020, the Remunerations Committee is comprised of the following directors:

Director	Role	Status	Date of appointment as a Committee member
Belén Garijo López	Chair	Independent	31/03/2016
Lourdes Máiz Carro	Member	Independent	31/05/2017
Ana Peralta Moreno	Member	Independent	27/06/2018
Carlos Salazar Lomelín	Member	External	29/04/2020
Jan Verplancke	Member	Independent	29/04/2020

Committee members are 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 for the calling of ordinary and extraordinary meetings.

The Committee performs its duties with full operational autonomy, and it is led 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 promotes 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 the 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 seeks 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 of the agenda for which they are called.

Due to the exceptional context created by the COVID-19 crisis, in 2020, the Committee has met on four 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. The Committee may also 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 2020, the Committee received independent advice from two leading consultancy firms in matters concerning remuneration of directors and senior managers: Willis Towers Watson, regarding market analyses and comparisons, and J&A Garrigues, S.L.P., regarding a legal analysis on the update of the BBVA directors' remuneration policy which has been submitted for approval, if appropriate, to the next General Shareholders' Meeting.

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 establishing the remuneration policy, ascertaining that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Entity.

In addition, the Committee has reported to the Board of Directors on the activity performed by the Committee in each one of its meetings, through reports made available to the Board members in the Board meetings held after the corresponding Committee meeting.

## **Functions**

In accordance with the powers assigned to it by article 5 of the Regulations of the Remunerations Committee, the Committee, in general terms, performs the following functions:

- 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.
- Determine the remuneration of non-executive directors, as provided for in the remuneration policy for directors, submitting the corresponding proposals to the Board.
- 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.



- 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.
- 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.
- 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.
- 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.
- Propose to the Board of Directors, and supervise the implementation of, the Group's remuneration policy, which may include the policy for senior managers and other employees of the Identified Staff, stated in the previous paragraph.
- Propose to the Board of Directors the basic contractual conditions for senior managers, including their remuneration and severance indemnity in the event of termination.
- 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.
- 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.
- 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.
- 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.

## 1 Activity of the Committee in 2020

The work of the Remunerations Committee in 2020 has been focused on performing the functions assigned of it pursuant to article 5 its Regulations, and developing the framework established in the BBVA Directors' Remuneration Policy applicable in that financial year, 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, in execution of its functions and the abovementioned remuneration policies, the Remunerations Committee carried out in 2020 the actions described below, submitting to the Board of Directors, where appropriate, the applicable proposals.

During 2020 financial year, the activity of the Remunerations Committee has been affected by the crisis caused by the COVID-19 pandemic. However, and notwithstanding the fact that the Remunerations Committee has had to adjust its activity to the context of crisis, it has continued to adequately perform its functions of supervision and assistance to the Board of Directors regarding remuneration matters.

During the first months of 2020, the Remunerations Committee, carried out its ordinary activity regarding remunerations:

- **Remuneration matters concerning non-executive directors**

The Committee was informed of the remuneration of non-executive directors for membership of the Board and, where appropriate, of the various Board Committees, as well as for the role of Lead Director and Deputy Chair, approved by the Board of Directors in May 2019, in accordance with the system provided for in the BBVA Directors Remuneration Policy. The Committee resolved not to submit a proposal to the Board for the amendment of said remunerations.

- **Remuneration issues concerning executive directors**

With regard to executive directors' remuneration matters, in accordance with the Directors' Remuneration Policy, the Committee, in February 2020, took the following actions, submitting the relevant proposals to the Board:

- It determined the amount of annual variable remuneration for 2019, in view of the results of the pre-established annual performance indicators, as well as its settlement and payment rules in accordance with BBVA Directors' Remuneration Policy.
- It determined the amount of the deferred portion of the annual variable remuneration of executive directors for 2016, which payment was due in 2020, in view of the results of the pre-established multi-year performance indicators and in application of the corresponding objectives, scales and weightings approved by the Board, which led to a downward ex post adjustment. It also determined the amount of its update in accordance to the previously approved criteria.
- It determined, prior analysis of the Risk and Compliance Committee, the scales of achievement of the multi-year performance indicators applicable to the deferred portion of the 2019 annual variable remuneration, as well as the reference group for the Total Shareholder Return (TSR) indicator, which is included among these indicators, making these proposals extensible to the rest of the Identified Staff.
- It determined the annual performance indicators and their corresponding weightings for the calculation of the 2020 annual variable remuneration of executive directors, as well as the multi-year performance indicators applicable to the deferred portion of such remuneration, and its updating rules (applicable to the cash portion). All of which would also be applicable to the rest of the Identified Staff. For this, the Committee counted with the previous analysis of the Risk and Compliance Committee, which ensured the adequacy of the proposals to the Bank's risk profile.
- It was informed of the executive directors' remuneration conditions, which were determined in 2019 in accordance with the BBVA Directors' Remuneration Policy. The

Committee resolved not to submit a proposal to the Board for the amendment of said remunerations.

- **Remuneration matters concerning senior managers**

The Committee determined the basic contractual conditions applicable to the member of Senior Management appointed on 19 December 2019, as well as the salary review of certain members of Senior Management. All of it, in accordance with the basic contractual framework approved by the Board of Directors for Senior Management.

The Committee also supervised the settlement of the 2019 annual variable remuneration of the members of Senior Management, as well as the deferred part of the 2016 annual variable remuneration of the senior managers who were beneficiaries of that remuneration.

Likewise, and since the heads of Internal Audit and Regulation & Internal Control are under the direct authority of the Board, the Committee determined the 2019 annual variable remuneration of the heads of Internal Audit and Regulation & Internal Control, for its submission to the Board of Directors, on the basis of the approach submitted by the Audit and Risk and Compliance Committees, respectively, in relation with the assessment of their objectives.

- **Remuneration matters concerning the Identified Staff**

Regarding matters relating to the Identified Staff, the Committee established that the scales of achievement for the multi-year indicators for the deferred 2019 annual variable remuneration, as well as the TSR indicator reference group, were the same as those set for the executive directors.

Likewise, the Committee established that the multi-year indicators for the 2020 annual variable remuneration determined for the executive directors were also applicable to the Identified Staff.

- **Other activities**

In compliance with its functions, the Remunerations Committee carried out other activities in 2020, submitting the following proposals to the Board, which were then submitted to the General Shareholders' Meeting:

- The Annual Report on the Remuneration of BBVA Directors for 2019, which was submitted to a consultative vote at the General Shareholders' Meeting held on 13 March 2020, and approved by a majority of 92.46% of favourable votes.
- 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, which was approved by the General Shareholders' Meeting held on 13 March 2020, by a majority of 97.23%. The Committee also submitted to the Board the report that accompanies this resolution, which was made available to the Bank's shareholders.

### **Activity of the Committee following the COVID-19 crisis break out**

In March 2020, after the General Shareholders' Meeting was held, the COVID-19 crisis broke out, which substantially conditioned the activity of the Remunerations Committee planned for the rest of the financial year, in the same way as for the rest of the Bank's Corporate Bodies.

Thus, in the first place, the Committee was informed of the **waiver to the accrual of the 2020 annual variable remuneration of executive directors, members of Senior Management and other members of the Identified Staff (330 people in total)**, in light of the exceptional

circumstances arising from the COVID-19 crisis and to demonstrate responsibility and commitment toward customers, shareholders, employees and the whole of society.

This waiver was for the whole of the annual variable remuneration that could have been accrued in the case of the executive directors and the members of Senior Management, and in whole or in part for the rest of the members of the Identified Staff in view of their specific conditions and circumstances.

This meant that, extraordinarily, the approved annual performance indicators that were to be used to calculate the 2020 annual variable remuneration for the executive directors and their corresponding weightings were rendered without effect, and thus the establishment of objectives and scales of achievement for them in 2020 did not proceed, as no annual variable remuneration would be accrued this financial year.

However, the multi-year performance indicators, previously approved by the Board as ex-post adjustments applicable to the deferred 2020 annual variable remuneration, remained in force for the purposes of calculating the deferred portion of the 2020 annual variable remuneration of those members of the Identified Staff who had not completely waived its accrual.

Both the waiver of 2020 annual variable remuneration and the consequences thereof were analysed by the Remunerations Committee.

In this context, the Remunerations Committee also analysed the minimum thresholds for Attributable Profit and Capital Ratio proposed by the executive area for determining the accrual, if applicable, of the 2020 annual variable remuneration of those members of the Identified Staff who had not fully waived said annual variable remuneration and of the rest of the Group's staff, all of which the Board was informed of.

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

The Committee supervised in 2020 the implementation of the approved remuneration policies (BBVA Directors' Remuneration Policy and the BBVA Group Remuneration Policy, including the Remuneration Policy for the Identified Staff) on the basis of the annual report of the Internal Audit area.

- **Information on the Identified Staff identification process**

Moreover, the Committee has been informed of the development and outcome of the identification process of the BBVA Group Identified Staff in 2020, as well as the criteria for the proposal of exclusions from the Identified Staff to the Supervisor, having also overseen the specific request for exclusions made to the European Central Bank.

- **Review of public information on remunerations of directors and senior managers**

Additionally, the Committee has 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 2019 financial year.

Finally, the Committee, at the end of 2020 financial year and the beginning of 2021 financial year, has focused its activity on analysing the main regulatory developments that would foreseeably enter into force in 2021 affecting therefore the remuneration policies approved by the Bank. Thus, the Committee has carried out a review of the BBVA Directors' Remuneration Policy currently in force to adapt it to the new regulations, the developments in the market practice and the most recent recommendations in the area of remunerations, as well as to include some technical improvements; all of it within the constant evolution of the Bank's Corporate Governance System.

Likewise, the Committee, has worked on the proposals to be submitted to the Board of Directors for its submission to the General Shareholders' Meeting and, therefore, among other issues, it has submitted to the Board of Directors a proposal of a new directors' remuneration policy for the financial years 2021, 2022 and 2023, submitting also its corresponding report, as well as the 2020 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 certain members of the Identified Staff; for subsequent submission to the next General Shareholders' Meeting.

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All of the above issues, along with other matters within its remit, were included in the Remunerations Committee's activity report for 2020, which, along with the activity reports of the Committee made available to directors, has allowed the Board to be informed on the activities carried out by the Committee and assess its operation.

Thus, the Board of Directors received in its meeting held on 28 January 2021 the report of the Remunerations Committee's Chair on the activity performed by the Committee in 2020. The Board assessed the work carried out by the Committee, in accordance with the functions attributed to it, giving a favourable assessment on the quality and efficiency of its operation.



# 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, BBVA's Board of Directors, in order to better perform its functions, has set up a **Technology and Cybersecurity Committee**, which assists the Board of Directors in **overseeing technological risk, managing cybersecurity** and monitoring the Group's **technology strategy**.

In addition to the provisions set out in the legislation and in the Regulations of the Board of Directors, the Committee's functions, operation rules and composition are set forth in its own Regulations, approved by the Board of Directors and available on the Bank's website, [www.bbva.com](http://www.bbva.com).

## 1 Composition

The Technology and Cybersecurity Committee is currently composed of five members, appointed by the Board of Directors, four of whom are independent directors.

After some changes in its composition during the year, the Technology and Cybersecurity Committee was composed of the following directors at the end of 2020:

Director	Role	Status
Carlos Torres Vila	Chair	Executive
Raúl Galamba de Oliveira	Member	Independent
Sunir Kumar Kapoor	Member	Independent
Juan Pi Llorens	Member	Independent
Jan Verplancke	Member	Independent

All members of the Committee have knowledge and experience in technology, information systems and/or cybersecurity. The profiles of each member of the Committee, including information regarding their knowledge and experience, are available on the Entity's website.

## 1 Operation

The Regulations of the Committee stipulate that the Committee will meet whenever it is convened its Chair, who is empowered to call the Committee and to set the agenda for its meetings, in accordance with the proceedings set forth for the calling of ordinary and extraordinary meetings.

The Technology and Cybersecurity Committee held seven meetings in 2020, and all of its members attended every meeting held.

The Committee performs its duties with full operational autonomy, and it is led 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 promotes 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 the 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 seeks 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 of 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 provided by experts or technical staff within the Group on grounds of specialisation or independence; and may solicit personal cooperation and reports from any employee or member of the Senior Management if deemed necessary in order to comply with its functions in relevant matters.

In addition, the Committee has reported to the Board of Directors on the activity performed by the Committee in each one of its meetings, through reports made available to the Board members in the Board meetings held after the corresponding Committee meeting.

## **Functions**

In accordance with 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 exposures to the main technological risks, including the risks related to information security and cybersecurity, as well as the procedures adopted by the executive area to monitor and control such exposures.
- Review the policies and systems for the 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) procedures established to identify, assess, oversee, manage and mitigate 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. In any case, such events will be communicated to the Chair of the Committee as soon as they are identified.
- Be informed, with the frequency 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 monitoring general industry trends.
- Be informed, as appropriate, of the metrics established by the Group for the management and control in the technological area, including the Group's developments and investments in this field.
- Be informed, as appropriate, of matters 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.

## **Activity of the Committee in 2020**

The main activities carried out by the Technology and Cybersecurity Committee in the 2020 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.

As part of the Committee's functions in this area, the Committee received information about the updated framework of technological risks to which the Group is exposed, as well as the measures for identifying, managing, monitoring and mitigating such risks.

In particular, the Committee has been provided with further detail on identification, management, monitoring and mitigation of IT-related risks faced by the Group as a result of services that are contracted to suppliers; along with the main risks associated with the use of shadow IT elements.

Additionally, regarding compliance risks of technological-related matters, the Committee has been informed of how the Bank complies with the EBA's ICT guidelines in relation to IT and security risk management.

The Committee was also informed of progress made in relation to the business continuity strategy and lessons learnt as a result of the pandemic.

Since the beginning of the crisis caused by COVID-19, the Committee has been informed about (a) the management of business continuity from an operational point of view; (b) the move to remote working by the vast majority of staff; and (c) the strengthening of the Group's operational capabilities and other cybersecurity and fraud management measures during the pandemic.

- **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 programme and its main elements and projects.

In particular, the Committee has reviewed the main cybersecurity programmes, and has been informed about the progress made, the implementation of artificial intelligence solutions, the evolution of the established metrics and future plans.

The Committee also received information on the main cybersecurity-related events that had directly affected the Bank or the Group companies, as well as other events that had affected other significant companies at national and international level, so that the Committee could be informed of the threats to which the Group is or may be exposed and of BBVA's technological defences to face potential similar attacks.

To that end, the Committee has been periodically informed by the head of Corporate Security unit on the Bank's control framework related to technological risk.

- **Technology strategy**

Regarding the Group's technology strategy, in 2020 the Committee has received information, from the heads of the Engineering and Organization area, on the main strategic projects and plans defined by that area, with a focus on those related to resilience, cloud infrastructure, banking functionalities and the development of engineering solutions for the areas and the data platform. Additionally, the input of external advisers was made available to the Committee in order to strengthen the Committee's independence in the performance of this function.

Within the context of these plans and projects, the Committee has been informed of technological trends and of other issues pertaining to new technologies, applications, IT systems and best practices that affect or may affect the Group's technology strategy or plans.

The Committee has also received recurring updates on the metrics established by the Group for management and control in the technological field.

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All of the above issues, along with other matters within its remit, were included in the Committee's activity report for financial year 2020, which, along with the activity reports of the Committee made available to directors, has allowed the Board to be informed on the activities carried out by the Committee and assess its operation.

Thus, the Board of Directors received, in its meeting held on 25 November 2020, the report of the Chairman on the activity carried out during the financial year. The Board assessed the work carried out by the Committee, in accordance with the functions assigned to it, giving a favourable assessment of the quality and efficacy of its operation.