

**BBVA**

Creating Opportunities

# BBVA's Corporate Governance

General Overview 2021

February 2022



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Creating Opportunities

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# 01 About BBVA

# About BBVA

## BBVA'S GLOBAL PRESENCE



### OUR PURPOSE

“To bring the age of opportunity to everyone”

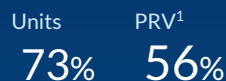
## DIGITAL CAPABILITIES

DECEMBER 2021

### CUSTOMERS



### DIGITAL SALES



(1) Product Relative Value as a proxy of lifetime economic representation of units sold.

## FINANCIAL HIGHLIGHTS

DECEMBER 2021

Net attributable profit 2021<sup>1</sup>

€5,069 m

CET 1 FL

12.75%

Total assets

€662,885 m

Loans and advances to customers - gross

€330,055 m

Deposits from customers

€349,761 m

Excluding non-recurring impacts (Discontinued operations and net cost related to the restructuring process). Reported results including these impacts: €4,653 m



## SUSTAINABLE DEVELOPMENT AND DIRECT CONTRIBUTION TO SOCIETY

Doubling BBVA's initial Pledge 2025

€200 billion  
between 2018 and 2025

Allocated to social programs 2021

€106.3 m

€86 billion

MOBILIZED UNTIL DEC.2021

44.2 m

People and SMEs supported

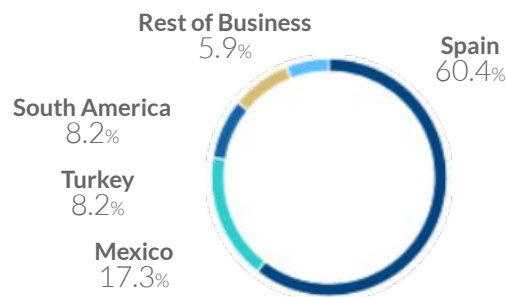


# A well-diversified footprint with leading franchises in all markets

## / BREAKDOWN BY BUSINESS AREA

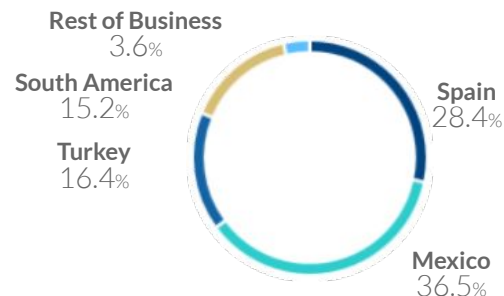
### TOTAL ASSETS<sup>1</sup>

DEC-21



### GROSS INCOME<sup>1</sup>

2021



(1) Figures exclude the Corporate Center.

## / LEADERSHIP POSITION

RANKING AND MARKET SHARE (%)<sup>2</sup>

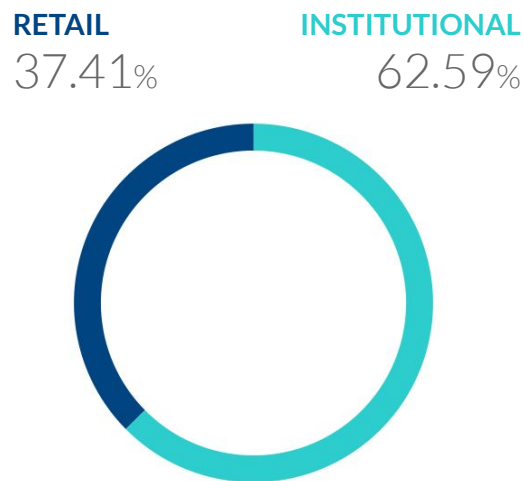


	SPAIN	#3	13.3%
	MEXICO	#1	23.8%
	TURKEY	#2	17.1%
	COLOMBIA	#4	10.3%
	PERU	#2	21.5%
	ARGENTINA	#3	8.1%

(2) Spain based on BoS data (Nov'21) and ranking (Sep'21) by AEB and CECA; Mexico data as of Nov'21 (CNBV); South America (Argentina Sep'21, Colombia Oct'21 and Peru Nov'21). Ranking considering top peers in each country; Turkey: BRSA total performing loans among private banks (market share as of Sep'21 and ranking as of Jun'21).

## BBVA's shareholders structure

BBVA Group has a diverse shareholding base, both in terms of geographical area and type of investor. The stake held by international institutional investors represents over 50% of the share capital. The Bank's free float accounts for 100% and none of the shareholders has a controlling interest.



NUMBER OF SHARES	Shareholders		Shares	
	Number	%	Number	%
Up to 500	341,510	41.30%	63,972,992	0.96%
501 to 5,000	381,597	46.15%	671,795,023	10.08%
5,001 to 10,000	55,785	6.75%	392,338,799	5.88%
10,001 to 50,000	43,159	5.22%	824,841,257	12.37%
50,001 to 100,000	3,092	0.37%	210,665,277	3.16%
100,001 to 500,000	1,410	0.17%	256,532,572	3.85%
More than 500,001	282	0.03%	4,247,740,660	63.70%
	826,835		6,667,886,580	



Annual General Meeting: high level of participation and support of Board proposals

# BBVA's Corporate Governance System is designed to ensure sound and effective management and oversight of the Group

The Board, as the core element of this System, is leading the way to manage risks and opportunities, using as main levers:

Culture and values, promoted from the highest level of the Organization and guiding the achievement of our Purpose ([see section 1](#))

An effective Corporate Governance System, including Group governance arrangements and effective parent-subsidary relationship ([see section 2](#))

A sound remuneration policy, aligned with our strategy and with prudent risk management ([see section 3](#))

A well-defined strategy, with growth as its cornerstone, and a reinforced approach to sustainability, with clear commitments to integrate it into all our activities ([see section 4](#))

A clear risk strategy and effective risk management ([see section 5](#))

A robust internal control model ([see section 6](#))

To deliver a unique **value proposition** along with **solid financial returns**



WITH A CLEAR PURPOSE

“To bring the age of opportunity to everyone



# Corporate Culture and Values

BBVA's **Corporate Governance System** is a core instrument on which the Group relies to define and oversee the implementation of a clear strategy and a solid corporate culture and set of values that serve as key drivers to deliver on our Purpose



## VALUE-DRIVEN ORGANIZATION



**Customer**  
comes first



**We think**  
**big**



**We are**  
**one team**



## AGILE



Kick-off in 2014 in Digital area in Spain, extended in 2018 across all areas and countries



Over 30,000 employees working under Agile



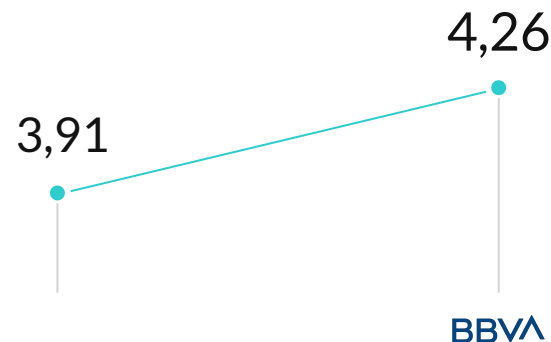
## MOST ENGAGED



**GALLUP EXCEPTIONAL  
WORKPLACE AWARD**  
2021 WINNER

### GALLUP SURVEY 2016 -2021

Consistent YOY improvement



“To bring the age of opportunity to everyone

With a clear  
impact on  
who we are...





## DIVERSITY & INCLUSION

**Workforce ratio:** women representing

**26.8%** of Senior Management and

**36.1%** of management positions

**31.5%** of technology and engineering positions

**57.4%** of business and profit generation positions

**Clear initiatives launched** in order to promote a diverse and inclusive working environment

Gender diversity targets at both area and country levels

Initiatives to support the LGBTI community

Working even more actively to include more women in talent recruitment processes and promotions (Rooney rule)

Collaborations to reduce inequality for girls and young women ("Inspiring girls")



## COMPENSATION

**Fair compensation**

across all countries within the Group's footprint

**Waiver of 2020 bonus**

by 300+ members of top management in response to the COVID-19 crisis and as a gesture of responsibility and commitment to society, our customers, shareholders and all of our employees

**Equal pay** for men and women, ensuring internal equity.

As of December 2021 the pay gap by homogeneous professional categories in the Group was 0.6% (1.1% in 2020)

**Sustainability-linked KPI** in the remuneration scheme for all employees (focused on climate action for 2021)





## WORKPLACE ENVIRONMENT

**Decent work** for all

**Attract** and **retain** the best **talent** and preserve **employment**: high **engagement** levels

**New global reskilling platform**, dubbed “The Camp”, to keep employees up to date in new capabilities (59,600 employees enrolled)

**Hybrid work model based on flexibility**, a defining attribute of our Culture and Values, which allows us to reap the benefits of the remote and onsite work models.

**Culture based on high performance**, productivity, team empowerment and work-life balance (“Work better, enjoy life”)

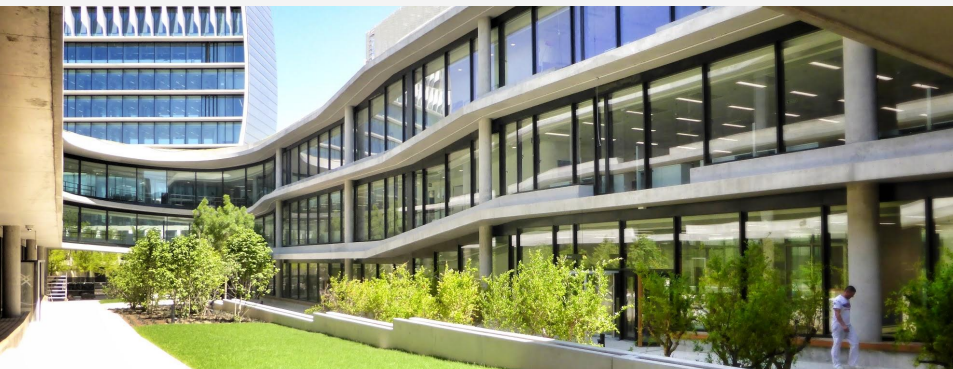


## SOCIETY

**Response to COVID-19**, as an example of our commitment to society

New Global Standard for responsible procurement and ethical code for **suppliers**

**Community investment**: New Community Commitment (2021 - 2025)





And a clear impact on our  
results...



# 2021 achievements

SIGNIFICANT PROGRESS IN THE  
EXECUTION OF OUR STRATEGY

CUSTOMERS ACQUIRED

**8.7** million

DIGITAL SALES<sup>1</sup>

**73.3%**

SUSTAINABLE FINANCING

**€35.4** billion

THE HIGHEST RECURRENT  
RESULTS IN THE PAST 10 YEARS

NET ATTRIBUTABLE PROFIT<sup>2</sup>

**€5.1** billion

OPERATING INCOME

**+10.8%** growth vs. 2020<sup>3</sup>

LEADING EFFICIENCY WITH  
POSITIVE JAWS

EFFICIENCY RATIO (YTD)

**45.2%** in 2021

**-53** bps vs. 2020

**62.3%** peers average<sup>4</sup>

ACCELERATING PROFITABLE  
GROWTH AND VALUE CREATION  
FOR OUR SHAREHOLDERS

ROTE

**12.0%**

TBV/ SHARE + DIVIDENDS

**+10.1%** growth vs. 2020

INCREASING  
SHAREHOLDERS' DISTRIBUTIONS

THE HIGHEST CASH DIVIDEND  
IN THE PAST 10 YEARS

**€31** cents/share<sup>5</sup>

ONE OF THE LARGEST  
BUYBACK PROGRAMS

**€3,500** million

(1) Digital Sales based on total units sold (2) Net Attributable Profit excluding non-recurring impacts (discontinued operations and net cost related to the restructuring process) for comparison purposes.

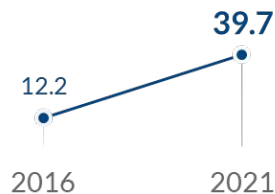
(3) Growth in constant Euros . (4) European peer group: BARC, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, NWG, SAN, SG, UBS, UCG. Data as of 9M21. (5) €8 cents already paid (gross) in Oct. 21 and €23 cents € (gross) in Apr.22 (to be proposed for the consideration of the governing bodies).

On track to achieve our ambitious long-term goals

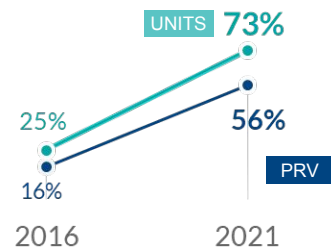
# Leading digital transformation, boosting customer acquisition

## DIGITAL LEADERSHIP

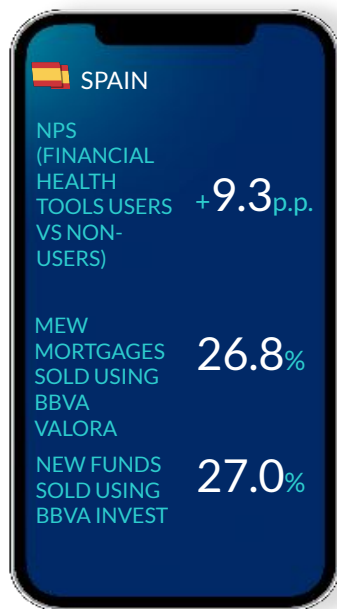
### MOBILE CUSTOMERS<sup>1</sup> (MILLION CUSTOMERS)



### DIGITAL SALES<sup>2</sup> (%, UNITS AND PRV<sup>3</sup>)

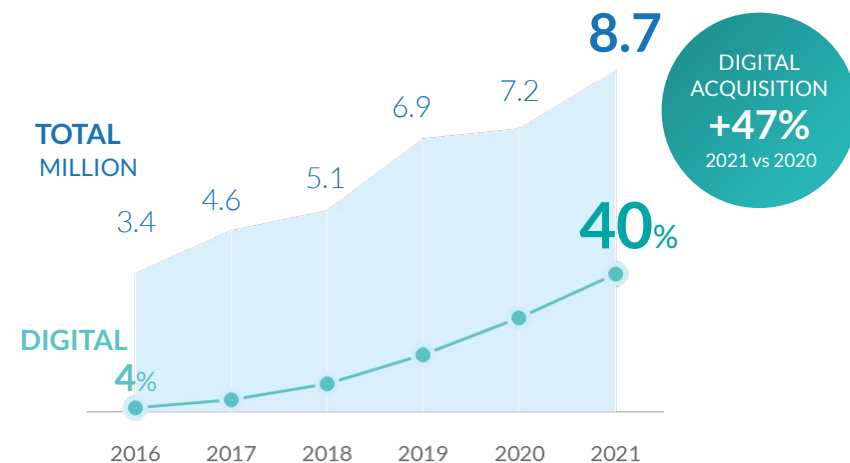


### DIGITAL ADVICE



## ALL-TIMER RECORD CUSTOMER ACQUISITION

### NEW CUSTOMER ACQUISITION<sup>4</sup> MILLION; % ACQUISITION THROUGH DIGITAL CHANNELS



(1) Includes USA, Paraguay and Chile until their sale. (2) Excludes units sold in USA, Venezuela, Chile and Paraguay. (3) Product Relative Value as a proxy of lifetime economic representation of units sold. (4) Gross customer acquisition through own channels for retail segment (5) According to 'The Forrester Digital Experience Review™: European Mobile Banking Apps, Q3 2021'.

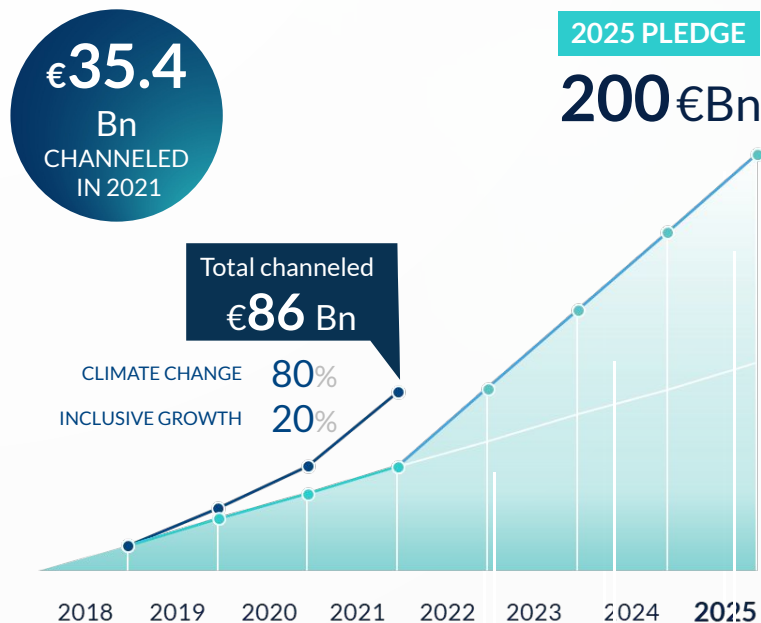


Digital experience leader in European mobile banking five years in a row<sup>5</sup>

# Pioneering Sustainability

## SUSTAINABLE FINANCING

(€BILLION)



## A CLEAR COMMITMENT IN PORTFOLIO ALIGNMENT TOWARDS NET ZERO 2050

2030 decarbonization goals set in CO<sub>2</sub>  
selected intensive industries<sup>1</sup>

### Reduction in 2030

⚡	Power	-52% kg CO <sub>2</sub> e/MWh
🚗	Auto	-46% g CO <sub>2</sub> /km
🏭	Steel	-23% kg CO <sub>2</sub> /tn
🏠	Cement	-17% kg CO <sub>2</sub> /tn
🏭	Coal	Phase out <sup>2</sup>

(1) These sectors account for 60% of BBVA's global CO<sub>2</sub> Emissions (Source: "International Energy Agency and UNEPI). (2) 2030 for developed countries and 20240 for emerging countries.(3). According to the Dow Jones Sustainability Index 2021.Sharing #1 position in ranking.

Member of

**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA

**BBVA, top-ranking bank worldwide<sup>3</sup>**



# 02 Corporate Governance System

# BBVA's Corporate Governance System

BBVA has a **solid and effective Corporate Governance System**, which is constantly evolving to adapt to the Bank's strategy and to its particular circumstances and needs, always in line with the Corporate Culture and Values that define BBVA's identity.



This System is geared towards **promoting BBVA's objectives and the long-term interests** and has taken shape over time on the basis of the following pillars:

01

An appropriate **composition** of the governing bodies

02

A clear distribution of **functions and interaction** among them and with Management

03

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

04

A comprehensive monitoring, **oversight and control** system; and

05

A well-integrated **parent-subsidiary** relationship model that allows for a coherent internal governance at Group level

# Key elements of BBVA's Corporate Governance System

Active **engagement policy** with both institutional and retail shareholders

 Shareholders

 Board of Directors

2

EXECUTIVE  
DIRECTORS

13

NON-EXECUTIVE  
DIRECTORS

10 + 3  
Independent External

Effective management and oversight of the Group

Balanced, qualified and diverse **composition**

Clear allocation of **duties** and adequate **checks & balances**

CHAIRMAN

CEO

LEAD DIRECTOR  
(independent)

DEPUTY CHAIR  
(independent)



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



Focus on **oversight and control** and **relevant interaction**



Specific **governance for sustainability** ([see section 4](#))

EXECUTIVE

AUDIT

RISK &  
COMPLIANCE

REMUNERATION

APPOINTMENTS  
& CORPORATE  
GOVERNANCE

TECHNOLOGY &  
CYBERSECURITY

SENIOR MANAGEMENT  
(clear lines of responsibility)

Well-integrated internal governance and common management and control framework for the Group

# Board of Directors: effective management and oversight

Appropriate size and balanced composition

FY 2021

**CHAIRMAN:**

Carlos Torres Vila

**CEO:**

Onur Genç

**LID:**

Juan Pi Llorens

**DEPUTY CHAIR:**

José Miguel Andrés Torrecillas

**DIRECTORS:**

Jaime Félix Caruana Lacorte

Raúl Galamba de Oliveira

Belén Garijo López

Sunir Kumar Kapoor

Lourdes Máiz Carro

José Maldonado Ramos

Ana Peralta Moreno

Ana Revenga Shanklin

Susana Rodríguez Vidarte

Carlos Salazar Lomelín

Jan Verplancke



# Board Composition: balanced, qualified and diverse

FY 2021

C: Chair of the Committee  
M: Member of the Committee

Director	Role on the Board	Executive	Audit	Appointments & Corporate Governance	Remuneration	Risk & Compliance	Technology & Cybersecurity
Carlos Torres Vila *	Chairman	C					C
Onur Genç *	Chief Executive Officer	M					
Juan Pi Llorens	Lead Director			M		C	M
José Miguel Andrés Torrecillas	Deputy Chair	M	M	C			
Jaime Félix Caruana Lacorte	Independent Director	M	C			M	
Raúl Galamba de Oliveira	Independent Director					M	M
Belén Garijo López	Independent Director		M	M	C		
Sunir Kumar Kapoor *	Independent Director						M
Lourdes Máiz Carro	Independent Director		M		M		
José Maldonado Ramos	External Director	M		M			
Ana Peralta Moreno	Independent Director		M		M		
Ana Revenga Shanklin	Independent Director					M	
Susana Rodríguez Vidarte	External Director	M		M		M	
Carlos Salazar Lomelín	External Director				M		
Jan Verplancke	Independent Director				M		M
<b>INDEPENDENCE</b>	<b>67%</b>	<b>33%</b>	<b>100%</b>	<b>60%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>

\* Expiration of 3-year term on 2022's AGM

See directors' profiles at [www.bbva.com](http://www.bbva.com)

# Board Composition

## High independence, balanced diversity and continuous refreshment

87%

Non Executive Directors



GOAL: Ample Majority

33%

Female Directors



GOAL: 40% before 2023

67%

Independent



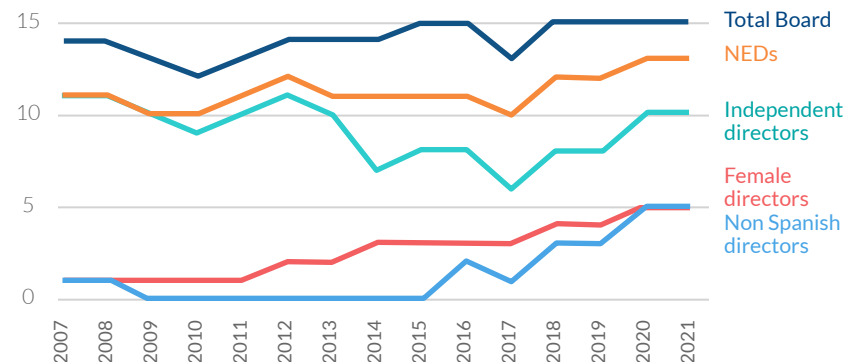
GOAL: at least 50%

7 years

Average tenure (approx).

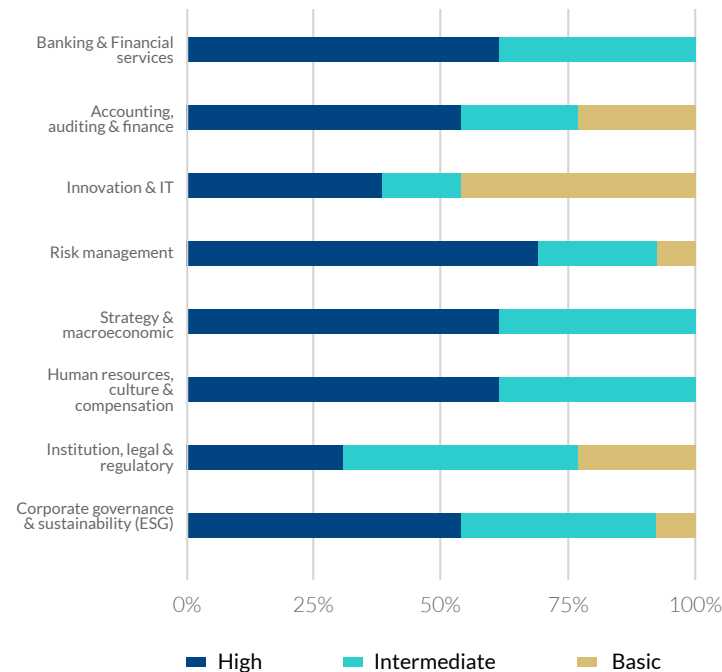
7 new directors

appointed over the past 4 years




























## Board skills and experience matrix

The Board is appropriately balanced in terms of its composition and knowledge of the Bank and the Group's environment, activities, strategy and risks.



# Skills and diversity matrix (non executive directors)

 High
  Intermediate
  Basic

Skills	J.M. Andrés	J. Caruana	R. Galamba	B. Garijo	S.K. Kapoor	L. Máiz	J. Maldonado	A. Peralta	J. Pi	A. Revenge	S. Rodríguez	C. Salazar	J. Verplancke
Banking and financial services													
Accounting, audit and financial knowledge													
Innovation and IT													
Risk management													
Strategy and macroeconomic environment													
Human resources, talent, culture and remuneration													
Institutional, legal and regulatory													
Corporate governance and sustainability (ESG)													

## Professional and international background (non executive directors)

Professional background	J.M. Andrés	J. Caruana	R. Galamba	B. Garijo	S.K. Kapoor	L. Máiz	J. Maldonado	A. Peralta	J. Pi	A. Revenga	S. Rodríguez	C. Salazar	J. Verplancke
Public Administration		◆				◆	◆			◆		◆	
Academia						◆	◆			◆	◆	◆	
Company	◆	◆	◆		◆	◆	◆	◆	◆			◆	◆
Consulting, advisory, audit	◆		◆		◆		◆	◆		◆	◆	◆	
Senior Management	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Board of Directors	◆	◆	◆	◆	◆	◆	◆	◆	◆		◆	◆	◆
Non-profit organizations	◆		◆		◆		◆		◆	◆	◆	◆	
INTERNATIONAL BACKGROUND													
Europe	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆		◆
Latin America			◆		◆	◆	◆		◆	◆		◆	◆
Others			◆	◆	◆				◆	◆		◆	◆

<b>TOTAL NON-EXECUTIVE DIRECTORS</b>	<b>13</b>	100%
Men	8	61,54%
Women	5	38,46%



## Time commitment and dedication

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

Governing body	Nº meetings in 2021	Attendance %*
<b>Board of Directors</b>	<b>15</b>	<b>99%</b>
Executive Committee	22	100%
Audit Committee	15	96%
Risk and Compliance Committee	22	100%
Appointments and Corporate Governance Committee	5	100%
Remunerations Committee	7	100%
Technology and Cybersecurity Committee	8	100%

## Breakdown of director attendance at meetings

Director	Nº meetings in 2021	Attendance %*
Carlos Torres Vila	45/45	100%
Onur Genç	37/37	100%
Juan Pi Llorens	50/50	100%
José Miguel Andrés Torrecillas	57/57	100%
Jaime Félix Caruana Lacorte	74/74	100%
Raúl Galamba de Oliveira	45/45	100%
Belén Garijo López	36/42	86%
Sunir Kumar Kapoor	23/23	100%
Lourdes Máiz Carro	37/37	100%
José Maldonado Ramos	42/42	100%
Ana Peralta Moreno	37/37	100%
Ana Revenga Shanklin	37/37	100%
Susana Rodríguez Vidarte	64/64	100%
Carlos Salazar Lomelín	22/22	100%
Jan Verplancke	30/30	100%

\*Information excluding proxies. In all cases of absence, delegation of representation and vote was granted to another director.

# Board structure

## Clear separation of roles and effective coordination

BBVA's leadership structure is well balanced and efficient. The Chairman and CEO are both members of the Board and have separate and specific responsibilities. **They both report directly to the Board** and interact with the rest of the governing bodies on an ongoing basis



### Chairman

- Leads management and proper **running of the Board**
- Drives the Group's **strategy**
- Leads the **transformation** process
- Institutional **representation** of the Bank

### CEO

- Manages the **day-to-day running of business**
- Receives **direct report from the Group's businesses** and all country managers and heads of Corporate & Investment Banking (C&IB), Client Solutions, Sustainability, among others

# Board structure: solid checks & balances

The Board has put in place efficient measures to ensure the adequate functioning of the governing bodies and the Corporate Governance System as a whole, preventing the concentration of power in any one person or body.



## High level of independence

Board (67%)

Committees

Executive meetings

## Lead Director

**Independent** member

Relevant **functions** established in Board Regulations (article 21)

Constant **interaction** with directors

Direct **engagement** with investors, supervisors and other stakeholders

Three-year mandate

## Deputy Chair

**Independent** member

Replaces the Chairman in the event of temporary inability

Promotes **Board stability**

**Chairs** the Appointments & Corporate Governance Committee

## Committee Chairs

**Independent** members on oversight and control Committees

Key role in **leading the operation** of Committees

Increased **involvement** and **interaction**

Improved **reporting** to the Board (in each session)

# Board Committees

Majority of independent directors\*

Specialized and cross-membership for an efficient interaction

## EXECUTIVE

- Coordination of decisions on strategy, budgets, capital and liquidity
- Monitoring and controlling: strategy; budgets; risks; capital and liquidity; evolution of projects and investments; and strategies agreed by the Board

## AUDIT

- Oversight of the Internal Audit Function
- Oversight of the preparation of financial statements and public information
- Relationship with the external auditor

## RISK & COMPLIANCE

- Monitoring of the Group's financial and non-financial risks (except those monitored by other committees)
- Oversight of Compliance function
- Promote risk culture across the Group



## REMUNERATION

- Remuneration related matters affecting directors, senior management and risk takers

## APPOINTMENTS & CORPORATE GOVERNANCE

- Performance assessment of Executive directors
- Oversight of the Bank's Corporate Governance System
- Oversight of the conduct of directors and potential conflicts of interest

## TECHNOLOGY & CYBERSECURITY

- Oversight of technological risk
- Monitoring of the Group's technology strategy
- Oversight of cybersecurity management

For further information on Board Committees' activities please see: [www.bbva.com](http://www.bbva.com) 

\*Except in Executive Committee

# Distribution of functions and decision making

BBVA has a robust decision-making process, achieved through the distribution of functions between the governing bodies and the interaction between themselves and with the executive area

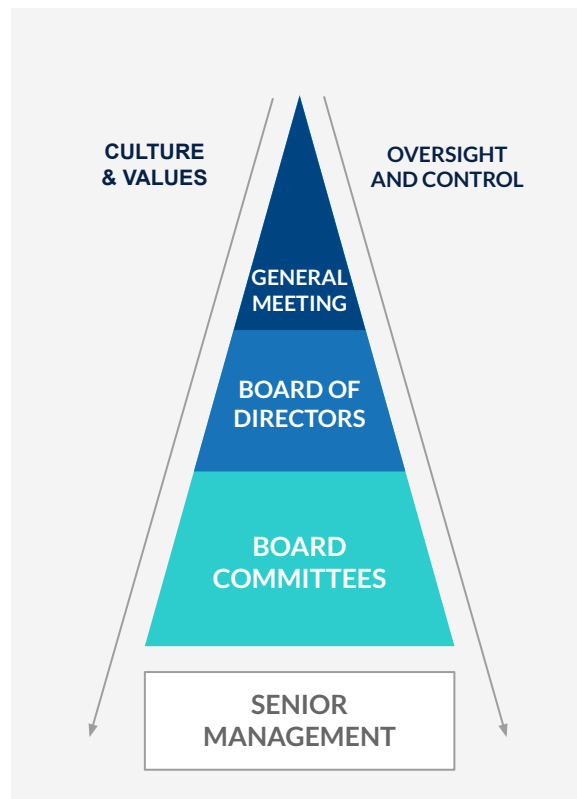
## AGM Highest governing body.

Final say on relevant matters. One share, one vote principle and active participation.

**Board of Directors** combines oversight and control functions of the Bank and the Group with management functions, adopting the most relevant decisions for the Group and 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.

**Board Committees:** Core elements of the system, made up by members of the Board with specialised knowledge to assist it in matters falling within their remit with a coordinated working system among them.

Expert approach, full independence in their operation and clear allocation of functions, as set out in their respective regulations.



Proper coordination and interaction with **Senior Management** ensures an adequate analysis of the matters submitted for consideration or oversight by the Board, through the review and challenge of the approaches and proposals submitted.

This also strengthens the **monitoring and oversight of the adopted decisions**, implemented by Management.

# Annual Board self-assessment

## 2021 FY ASSESSMENT PROCESS:

Led by the Appointments & Corporate Governance Committee



Includes individual opinion of all Board members



Has been assisted by independent expert Promontory



*BBVA has implemented significant changes since 2018, with concrete results in sound corporate governance arrangements, which are aligned with regulations & best practices and provide assurances of Board's ability to direct its operations in consistency with strategy, values & objectives, maintaining adequate monitoring & control over current and emerging risks.*

## 2021 FY MAIN CONCLUSIONS:

### Structure, size and composition

- Board has an **adequate composition** and continues to meet independence & diversity targets
- Board renewal processes carried out in recent years have led to a positive outcome and provided the Board with a **balanced skillset, experience and diversity** that is aligned with the Bank's current needs.
- In 2021 Board composition has especially demonstrated its **appropriateness to analyse, engage and define the Group's strategic issues** and their way forward.

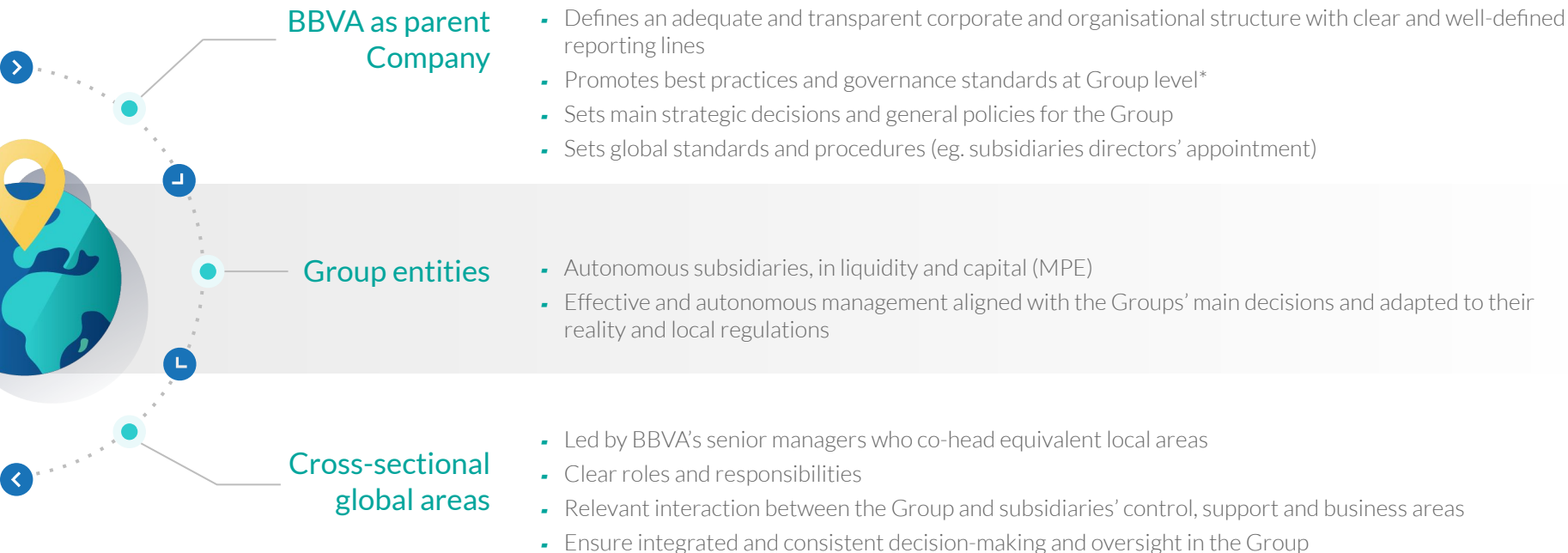
### Quality and efficiency

- Board **functions are adequately defined and decision-making processes are robust**, rich in information and enhanced by the role of the Committees, in particular as regards in-depth oversight & control
- Directors **dedicate the time necessary to perform their functions**; interactions and discussions are fruitful and active challenge is performed when needed.
- Clear distinction of the roles performed by the Chair, CEO & LID continue sustaining **adequate checks & balances**.

**Room for continuous improvement:** increase involvement of the Appointments & Corporate Governance Committee in key function holder succession planning & continue developing its oversight of the Group Corporate Governance Policy; streamline information provided to governing bodies to enhance efficiency of their meetings; strengthen integration of 2LoD within Regulation & Internal Control.

# Parent-subsidiary relationship model

Allows that the Group's general management and control framework and other relevant decisions are duly implemented, while safeguarding each Group entity's managerial independence



\*Group Corporate Governance Policy approved by the Board, contains guidelines for subsidiaries on board structure, composition, suitability of members, relevant committees...under a proportionality approach

Well-integrated and consistent governance arrangements, processes and mechanisms aimed at achieving the Group's common objectives and interests, defined in accordance with the same Purpose, Values and Culture

# 03

## Executive Remuneration



# Executive Remuneration

## New Directors' Remuneration Policy approved by the 2021 AGM (for 2021-2023)

01

Simple, transparent and **performance - driven system** (strategic KPIs)

02

Executive pay in line with **Company strategy and risk profile** (amounts within benchmark)

03

Aligned with the **Senior Management's remuneration** policy and pay package

04

Specific rules for **settlement and payment** of variable amounts with a long term structure

### VARIABLE REMUNERATION

Target Bonus



KPIs



Annual Bonus



### LONG TERM KPIs

May adjust deferred amounts (downwards) in line with risk profile and TSR

+ Targets for each KPI and achievement scales ranging from 0% to 150% of Target Bonus

## CHANGES IN THE 2021 POLICY

- New **sustainability KPI** (Mobilization of sustainable financing) with specific weight (10%) + Responsible banking synthetic index (for Chairman)
- New general principle on **equal pay** for men and women
- **Chairman's pension system** transformation (decrease of contributions to 15% of base salary), changes to pay-mix structure with a **reduction in the total pay** and an increase in the portion at risk
- Changes to **deferral scheme** and **malus & clawback** clauses
- Further changes to ensure alignment with new **regulatory requirements** (CRD V, SRD II), and review of contractual conditions



# Executive Remuneration KPIs

## / ANNUAL KPIs

(ONE YEAR MEASUREMENT PERIOD 2021)

Type		Annual KPI 2021	Chairman	CEO
Financial	Results	Net Attributable Profit*	10%	15%
	Results	Tangible Book Value per share	15%	10%
	Profitability	RORC	10%	10%
	Efficiency	Cost-to-income ratio	10%	15%
Non-Financial	Customer satisfaction	NPS	10%	15%
	Sustainability	Mobilisation of sustainable financing	10%	10%
	Transformation	Digital Sales	10%	10%
	Individual KPIs	Related with their roles	25%	15%

These KPIs take into account current and future risks and are in line with those selected to monitor the **Group's progress in our Strategic Priorities**.

\*Excluding corporate transactions

## / LONG-TERM KPIs

(THREE YEAR MEASUREMENT PERIOD 2022-2024)

Type	KPI	Chairman	CEO
Capital	CET 1 Fully Loaded	40%	40%
Liquidity	Liquidity Coverage Ratio	20%	20%
Profitability	ROTE	30%	30%
Value Creation	Total Shareholder Return (TSR)	10%	10%

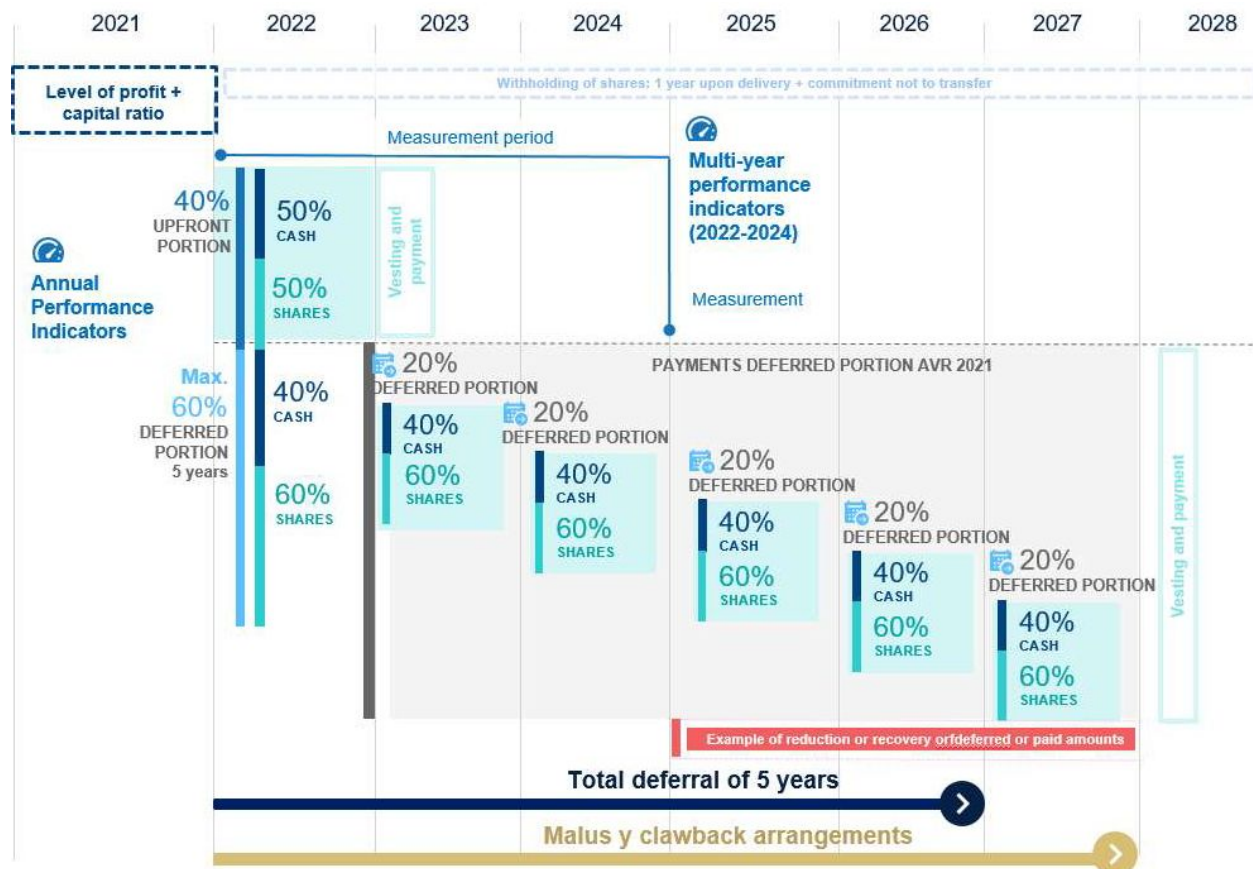
In line with the rules applicable to the rest of BBVA's Identified Staff, executive directors' **deferred annual variable remuneration** is subject to compliance with these multi-year performance indicators.

If the targets established for each long-term KPI are not met, the deferred portion of the annual variable remuneration pending payment shall be reduced, yet never be increased.

# Risk-aligned remuneration scheme

Executive Directors' bonuses are awarded, vested and paid subject to European regulations, as set in the Directors' Remuneration Policy. Rules include:

- **deferral** schemes (60% over a 5-year period)
- payment in **cash** and **shares** (more than 50% shares)
- 1 year **withholding** of shares
- insurance or **hedging prohibitions**
- criteria for updating the cash portion
- **malus and clawback** arrangements up to 100% of the bonus
- **cap on the variable remuneration** of 100% of the fixed component (200% if approved by the AGM)



# 04

## Strategy: reinforced approach to sustainability

# Strong conviction with our Strategic Plan after a reflection process led by the Board

## STRATEGIC PRIORITIES



Improving our clients' financial health



Helping our clients transition towards a sustainable future



Reaching more clients



Driving operational excellence



The best and most engaged team



Data and Technology

# BBVA Strategy

## BBVA is uniquely positioned to accelerate profitable growth

- Leading franchises in very attractive markets
- Trend-setters in digital and sustainability
- Differential culture and mindset
- Proven track record of solid financial results
- Disciplined capital allocation
- Excess capital for shareholders' distributions and growth



## We are executing on our strategic plan with clear objectives

- A larger and more profitable bank
- A distinctive bank for our clients based on a unique value proposition
- Continue leading efficiency through operational excellence



## We have set ambitious long-term goals to accelerate profitable growth and value for our shareholders





STRATEGIC PRIORITY:

“Helping our  
clients transition  
towards a  
**sustainable  
future**”



BBVA

Differentiated approach and  
**strong commitment** from the  
governing bodies, to manage:

01  
Opportunities

02  
Risks

03  
Transparency

# Governance for Sustainability

The Board has approved a governance model for sustainability, **fully aligned with BBVA's strategy**, that seeks to integrate it into all our activities. At the core of this model, the Board has defined and driven the Bank's adoption of a strategy on sustainability and climate change, approving its main elements and regularly monitoring its implementation throughout the Group, with the assistance of its specialised Board Committees



The Board has strengthened its knowledge and experience in the field of sustainability through the incorporation of members **with extensive knowledge and experience** on the matter and has extended its training programmes to include sustainability issues



# Creation of a global Sustainability area, promoting sustainability at the highest level of the organization

The Sustainability area will support the integration of sustainability into the Group's day-to-day activities

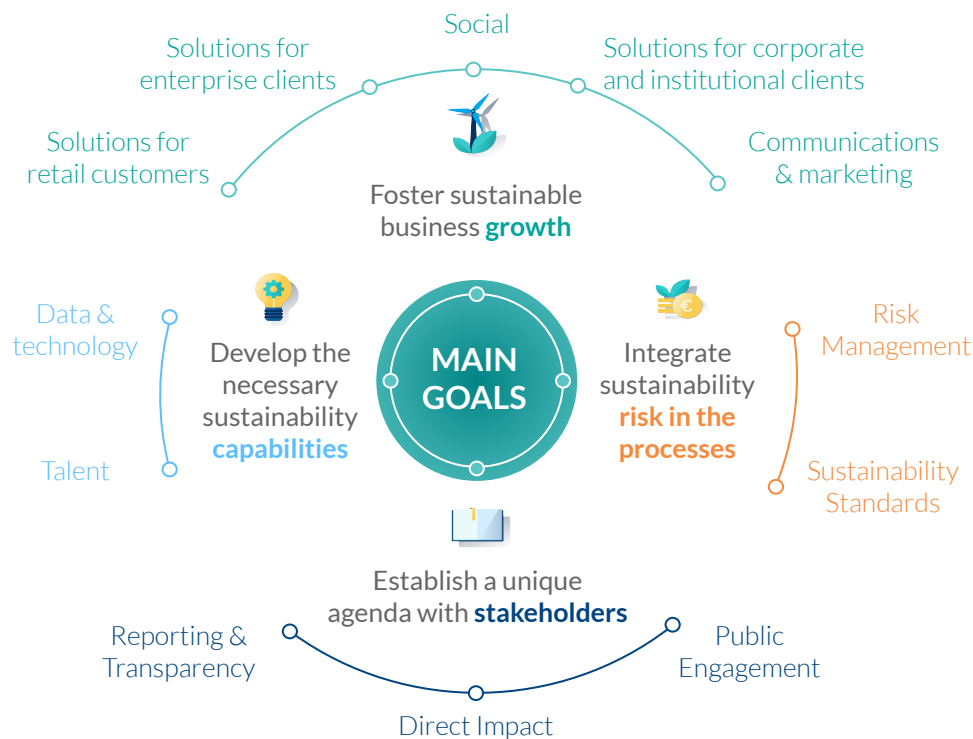
Designing our sustainability **strategic agenda**

Developing sustainable products to capture **new business opportunities**

Generating **specialized knowledge** to provide differential advice to our clients

Establishing **commercial methodologies and partnerships** to increase sustainability related business

## EXECUTION ORGANIZED AROUND 4 GOALS AND FOCUSED IN 12 WORKSTREAMS



## Clear strategy, objectives and commitments



### Business origination

Maximize sustainable finance origination

**€200 Bn**  
FROM 2018 TO 2025  
BBVA's 2025 Pledge



### Portfolio alignment

Adoption of the PACTA methodology with relevant metrics and targets defined in 2021, and an updated environmental and social framework



### Direct impacts

Environmental footprint reduction and emissions offset

**70%**  
RENEWABLE  
ENERGY USE BY 2025

**68%**  
REDUCTION OF CO<sub>2</sub>  
EMISSIONS BY 2025 (VS 2015)



### Transparency

Integration of sustainability-related topics in corporate reporting, according to international standards



## Adoption of the Net Zero 2050 Commitment

# 05

## Risk strategy and management

# Risk strategy

## BBVA Group's Risk Appetite Statement



The **BBVA Group** develops a responsible universal banking business model, based on values, committed to **sustainable development, centered on our customers' needs** and **focused on operational excellence and the preservation of an adequate security and business continuity**.



BBVA intends to achieve these goals while maintaining a **moderate risk profile**, so the risk model established aims at **ensuring a robust financial position**, facilitating its **commitment with sustainability** and obtaining a **sound risk-adjusted profitability throughout the cycle**, as the best way to face adverse environments without jeopardizing its strategy.



Risk Management at BBVA is based on **prudent management**, an **integral and forward-looking view of all risks**, that allows us to adapt to the disruption risk inherent to the banking business and includes the climate risk driver, portfolio diversification by geography, asset class and client segment, anti-money laundering and combating the financing of terrorism, and keeping a long-term relationship with the client; thereby **contributing to a sustainable future, to promote profitable growth and recurrent value creation**.

# Risk management and control



## Comprehensive governance framework and reporting to governing bodies

- The **Board of Directors** defines the risk management and control strategy and oversight risk profile, with a relevant role of the **Risk and Compliance Committee**
- Granular **internal regulation** and **executive-level committees**, which fosters **bottom up and top down**



## Holistic risk management framework

- **BBVA Group's RAF** comprises **all relevant risks**, both **financial and non-financial**
- Extending across **all business lines and internal units**
- Comprehensive view: **global, local and by type of risk**, with a **forward-looking approach**



## Independent and autonomous executive function within BBVA Group

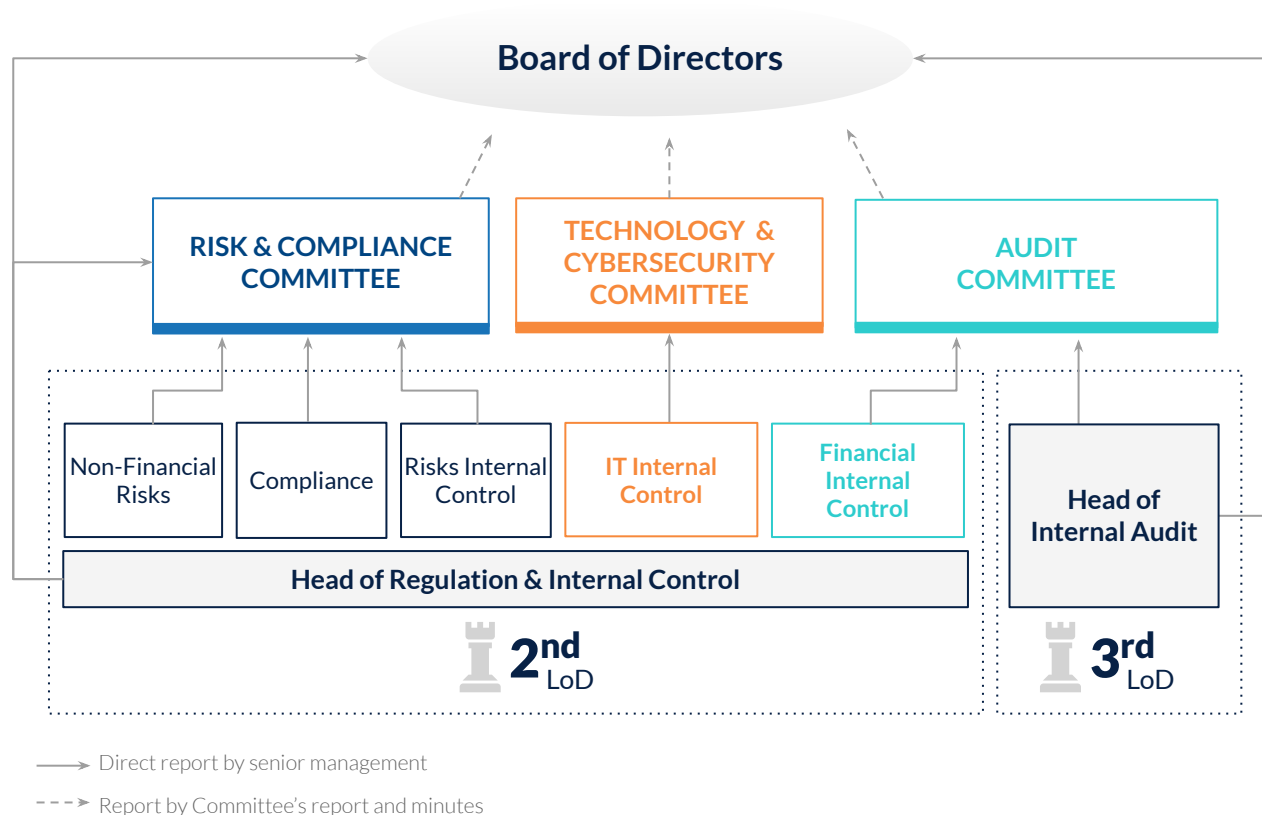
- Developed by a **very qualified and experienced team**
- Leveraged in **technology and data** as key drivers for a safe and sound risk profile
- **Strong risk culture** across the Group

# 06 Internal control

**Internal control:** direct reporting line with corporate bodies to ensure independence and an adequate oversight and control

**Under the direct authority of the Board, the Senior Managers** responsible for internal control functions at BBVA are fully independent from the business areas and have direct access at all times and a reporting line with the relevant Committees.

**The Board is responsible for their appointment and removal,** as well as for defining their objectives and assessing their performance, following proposals from the corresponding Committees.



# Internal control functions at executive level

## BBVA has an internal control model to ensure

both an appropriate management and control of all relevant non-financial risks arising as a result of any business and activity carried out by BBVA Group, within the appetite limits established by the Board of Directors, and the definition of any mitigation actions deemed necessary.

### 3 LINES OF DEFENSE



**1<sup>nd</sup>**  
LoD

#### BUSINESS & SUPPORT AREAS

#### Risk Control Assurers (RCA)



**2<sup>nd</sup>**  
LoD

#### REGULATION & INTERNAL CONTROL

(incl. Non-Financial Risks, Compliance and Risk Internal Control)

#### Risk Control Specialists (RCS)

RCS ensure mitigating and control mechanisms are in place within their scope of risks in a cross-sectional way across the Group. There are 10 RCS for the following risks:

- PEOPLE
- FINANCE
- PHYSICAL SECURITY
- COMPLIANCE
- TECHNOLOGY SECURITY
- PROCESSES
- INFORMATION & DATA SECURITY
- THIRD PARTY
- RISK
- LEGAL



**3<sup>rd</sup>**  
LoD

#### INTERNAL AUDIT



# 07 Additional information

## Additional information

For additional information on BBVA's Corporate Governance please click on the following links:

BBVA  
Board of  
Directors



Board  
Committees



Annual  
Corporate  
Governance  
Report



Directors'  
Remuneration



Sustainability  
and Responsible  
Banking

