

# **REPORT OF THE APPOINTMENTS COMMITTEE**

**2015**

**Bankia**

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## 1. INTRODUCTION

The Appointments and Remuneration Committee of Bankia was formed on 16 June 2011 by resolution of the Company's Board of Directors. On 22 October 2014, as a consequence of the entry into force of the Law 10/2014 of 26 June 2014 on regulation, supervision and solvency of credit institutions, the Board of Directors resolved to disband the Appointments and Remuneration Committee and set up two separate committees: an Appointments Committee and a Remuneration Committee.

This report reviews the activity of the Bankia Appointments Committee from 1 January 2015 to 31 December 2015 on matters of appointments and removal of directors and senior managers.

## 2. OPERATION AND RESPONSIBILITIES

The rules governing the operation and responsibilities of the Bankia Appointments Committee are regulated in article 47 of the Bylaws and have been developed in article 15 of the Board of Directors Regulations. In 2015 the Board of Directors Regulations were amended with the aim, amongst others, of adapting the powers and functions of the Appointments Committee to the Recommendations of the new Good Governance Code of Listed Companies approved by the Spanish Securities Markets Commission (Comisión Nacional del Mercado de Valores; hereinafter, the CNMV) in February 2015.

The Appointments Committee provides supports to the Board of Directors, with general powers to propose and report on appointments and removals of directors and senior managers.

The Appointments Committee meets as often as called by resolution of the Committee itself or its Chairman, at least four times per year. It will also meet whenever the Board of Directors or its Chairman requests the issue of a report or adoption of proposals.

There will be a quorum when one half plus one of the directors that are members of the Committee are present in person or by proxy. Its resolutions will be adopted by absolute majority of the Committee members, present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

According to article 15 of the Board of Directors Regulations, the Appointments Committee will have general powers to propose and report on matters relating to appointments and removals of directors. In particular, without prejudice to other tasks assigned to it by the Board, the Appointments Committee is responsible for:

- a) Assessing the skills, knowledge, ability, diversity and experience required for the Board of Directors and, therefore, defining the necessary functions and abilities for candidates wishing to cover each vacancy, and assessing the necessary time and dedication to carry out their duties in an effective manner, ensuring that the non-executive directors have sufficient time available for proper performance of their duties.
- b) Identifying, recommending and making proposals to the Board of Directors of independent directors to be appointed by co-option or, for submission to decision by the General Meeting of shareholders, and proposals for reelection or removal of those directors by the General Meeting.
- c) Identifying, recommending and reporting to the Board of Directors on proposals for the appointment of the other directors to be appointed by co-option or for submission to decision by the General Meeting of shareholders, and proposals for their reelection or removal by the General Meeting of shareholders.
- d) At the initiative of the Chairman, reporting, on a non-binding basis, on resolutions of the Board related to the appointment or removal of senior managers of the Group and the basic terms of their contracts, without prejudice to the authority of the Remuneration Committee regarding remuneration matters, and periodically reviewing the policy of the Board of Directors regarding selection and appointment of members of senior management of the Group and making recommendations to it.
- e) Analysing the existence and updating of plans for succession of the Chairman, the vice chairman, if applicable, and the chief executive officer and senior managers of the Company and, if applicable, making proposals to the Board of Directors in order for such succession to occur in an orderly and planned manner.
- f) Ensuring the independence, impartiality and professionalism of the secretary and assistant secretary of the board of directors, reporting on their appointment and removal for approval of the full board.
- g) Setting a goal of representation for the gender under-represented on the board of directors and to develop guidance on how to increase the number of the under-represented gender to achieve this objective. Also, the Appointments Committee will ensure, that by providing new vacancies selection procedures do not suffer of implicit biases that interfere with the selection of the under-represented gender.
- h) Regularly (at least once each year) evaluating the structure, size, composition and performance of the Board of Directors, if applicable making recommendations to it regarding possible changes.
- i) Regularly (at least once each year) evaluating the suitability of the various members of the Board of Directors and the board as a whole, and reporting thereon to the Board of Directors.

- j) Reporting to the Board of Directors on issues relating to good corporate governance of the Company regarding matters within the competence of the committee (objectives, management of talent, liability insurance, etc.) and making the proposals necessary for improvement thereof.
- k) Proposing the policy for selection of directors to the Board of Directors, and annually verifying compliance therewith.
- l) Without prejudice to the functions of the Audit and Compliance Committee, the Ethics and Conduct Committee will submit to the Appointments Committee, periodically and at least at the end of each financial year, an activities report in relation to performance of its functions, in particular as regards oversight and monitoring of the Code of Ethics and Conduct.

The Appointments Committee will consult with the Chairman and, if applicable, with the main executive of the Company, especially on matters relating to executive directors and senior managers.

For better performance of its duties, the Appointments Committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence, and will receive appropriate funding to do so.

The Chairman and any director may make suggestions to the Committee related to the matters within the scope of its competence and, in particular, may propose potential candidates to fill director vacancies.

### **3. COMPOSITION**

The Appointments Committee consisted entirely of independent external directors for the period between 1 January and 31 December 2015. Its members were appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the tasks of the Committee. The Committee is chaired by an independent director appointed by the Board of Directors. The Chairman of the Committee must be replaced every four years, but may be reelected once or more times for additional four-year periods.

The Appointments Committee was composed of the following four directors during 2015:

<b>APPOINTMENTS COMMITTEE <sup>(1)</sup></b>			
<b>DIRECTOR</b>	<b>OFFICE</b>	<b>CATEGORY</b>	<b>APPOINTMENT DATE</b>
Mr. Joaquín Ayuso García	Chairman	Independent	22-10-2014
Mr. Francisco Javier Campo García	Member	Independent	22-10-2014
Mr. Alfredo Lafita Pardo	Member	Independent	22-10-2014
Mr. Álvaro Rengifo Abbad	Member	Independent	22-10-2014

Non-Director Secretary: Mr. Miguel Crespo Rodríguez

No member of the Appointments Committee performs executive duties in the Company and all of them are classified as independent Directors, so the requirement that its members be non-executive directors is met. Furthermore, all members of the Appointments Committee were appointed by the Board of Directors based on their knowledge, ability and experience and the responsibilities of the Committee.

#### **4. MAIN ACTIVITIES DURING 2015**

The Appointments Committee met a total of 10 times between 1 January 2015 and 31 December 2015.

The average attendance (present or by proxy) of the members of the Appointments Committee was 95% during 2015. The meetings of the Committee were regularly attended by the Director and General Director of People, Organisation and Technology, as well as the Corporate Head of People.

During 2015 the Committee examined and submitted to the Board for approval the main appointments matters, principally dealing with the following issues:

##### **4.1. EVALUATION OF THE BOARD AND ITS COMMITTEES, EVALUATION OF THE CHAIRMAN AND INDIVIDUAL EVALUATION OF DIRECTORS**

In 2015, in coordination with the chairman of the Company and the Chairman of the Audit and Compliance Committee, the Chairman of the Appointments Committee carried out the process of evaluating the Board of Directors referred to by article 18 bis of the Board of Directors Regulations.

<sup>(1)</sup> The background and professional experience of the members of the Appointments Committee may be consulted on the Company's website: [www.bankia.com](http://www.bankia.com)

The results were reported to the Committee, underscoring that this was the third such evaluation carried out and that a good part of the recommendations made in the evaluations have been put into practice. The Committee was also informed of the evaluation performed on the operation of the Board committees.

In this respect, the Appointments Committee also informed the Board of Directors on the evaluation led by the Lead Independent Director of the Board Chairman's performance, as well as on the individual evaluations of the directors.

In these evaluations, the Appointments Committee obtained technical advising from independent experts of recognised prestige.

#### **4.2. ANNUAL VERIFICATION OF THE CLASSIFICATION OF DIRECTORS**

As provided in article 8.4 of the Board of Directors Regulations, the Appointments Committee at its meeting of 20 February 2015 verified the classification of each director, and made a favourable report to the Board of Directors regarding said classification. At its meeting on 23 February 2015, the Board of Directors reviewed the proposal and reported thereon in the Annual Corporate Governance Report. The Committee verified that of the eleven directors on the Board of Directors as of this date, eight are independent and three are executives, thus complying with the Good Governance Code recommendation that in listed companies the number of independent Directors should represent at least half of the total directors.

#### **4.3. REPORTS ON APPOINTMENTS**

In relation to its responsibilities for appointments, during 2015 the Appointments Committee submitted and reported on nominations of members of the Board of Directors, on nominations to offices on the Board and to senior management positions.

At its meeting of 16 March 2015 the Committee reported in favour of the proposal to ratify the appointment of Mr. Antonio Ortega Parra, who had been appointed by co-option by the Board of Directors, as an Executive Director. That proposal was submitted to the General Meeting of Shareholders held on 22 April 2015.

The Appointments Committee at its meeting of 20 April 2015 acknowledged receipt of the favourable report of Risk Advisory Committee on the nomination of the Chief Risk Officer (CRO), for submission to the Board of Directors, and likewise reported in favour of ratifying the Board of Directors' appointment of the Corporate CRO.

Also at the meeting of 20 April 2015, the Appointments Committee was informed of the application of the rules on conflicts-of-interest and limitations laid down in Law 10/2014 of 26 June 2014 on regulation, supervision and solvency of credit institutions regarding the maximum number of offices that can be held at the same time by members of the Board of Directors, and finding that the members of the Bankia Board of Directors comply with the provisions of said Law 10/2014.

The Appointments Committee also issued a favourable report to the Board of Directors on the nominations of officers of the entity and on proposals for internal organisational changes.

#### **4.4. DIRECTOR AND SENIOR MANAGEMENT TRAINING PLAN**

In response to the need for information and training of the members of the Board of Directors and its committees, the Appointments Committee at its meeting of 21 September 2015 was informed of the Directors Training Plan (2nd cycle of training sessions for the Board of Directors) and of the Senior Management Programme.

In addition, at its meeting of 26 October 2015 the Appointments Committee was informed of the proposal to engage the professional services of an outside expert to develop the Continuous Training Programme for Directors.

#### **4.5. SUCCESSION PLANS**

During the year the Appointments Committee was on various occasions informed on the implementation and development of the Succession Plans for the Chairman, Chief Executive Officer and the Senior Executives of the bank. The purpose of those plans is for said succession to be carried out in an orderly and planned manner. In accordance with the best corporate governance practices, the Board of Directors Regulations were amended to make the Lead Independent Director responsible for coordinating the Succession Plan for the bank's Chairman.

#### **4.6. ANNUAL CORPORATE GOVERNANCE REPORT**

At its meeting of 20 February 2015 the Appointments Committee agreed to issue a favourable report on the 2014 Annual Corporate Governance Report in relation to all those issues within its area of competence.

#### **4.7. OTHER ISSUES ADDRESSED BY THE COMMITTEE**

In the course of its duties, the Appointments Committee also examined and reported on various issues during the year, including the following:

- Insurance.
- Rules on conflicts-of-interest and limitations on chairmen, directors and senior managers of credit institutions.
- Responsibilities of the Board of Directors: latest developments and regulatory trends.
- Identified group: update of the identified group (entries and departures).
- Bankia Executive Style Book: presentation of draft of the book to the Committee.
- Corporate Governance: presentation of the proposed Bankia Corporate Governance System composed of a set of internal standards and procedures essentially aimed at satisfying the corporate interest, understood to be the common interest of all shareholders of an independent company focused on profitable and sustainable pursuit of its corporate objects and the creation of long-term value.
- Nomination of Financial Expert on the Audit and Compliance Committee.