

BBVA

Our aim was for Banco Bilbao Vizcaya Argentaria (BBVA) to refresh its board by appointing five new directors, bringing deep sustainability and banking expertise to the board while also rotating off long-tenured directors.

Background

BBVA is a Spanish-headquartered bank with operations in Europe, South America, Mexico and Turkey. We have been engaging with the bank on board independence, skills and experience since 2019 and on environmental, social and governance issues for over a decade.

Board composition is integral in enabling good governance, which itself is a foundation for the delivery of strategy and long-term, sustainable value creation.

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In 2019, BBVA's board had four directors whose tenure exceeded 13 years and an average tenure of over eight years. This raised concerns about whether the board's perspective was sufficiently distinct from that of management.

Moreover, some of these directors on the board in 2019 had served through a controversy that occurred in 2004 related to alleged spying on a rival company, for which the bank continues to be investigated.¹ We therefore focused our engagement on the bank reducing the average tenure of the board to below eight years and for the four longest-standing directors to be rotated off the board.

¹ [Spanish Prosecutor Seeks Formal Probe of BBVA in Spying Case | Bloomberg.com](https://www.bloomberglaw.com/news/2019/08/01/spain-prosecutor-seeks-formal-probe-of-bbva-in-spying-case)

Engagement objectives:

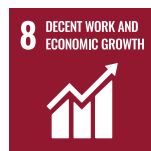


Governance:

Board refreshment

Experience in sustainable finance and operational banking

Sustainable Development Goals:



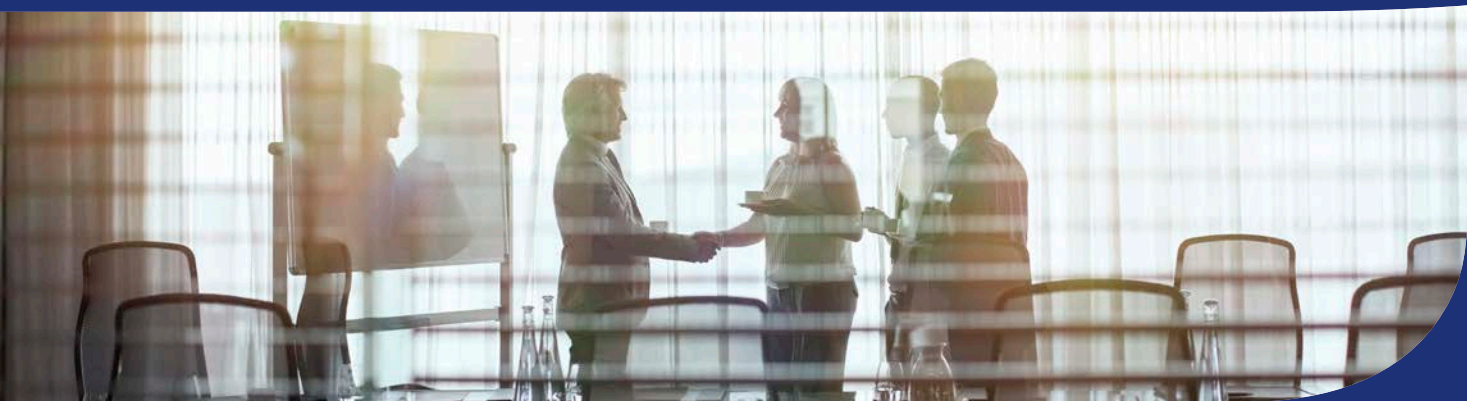
Reducing the average tenure of the board also provided an opportunity to refresh the board members' skills and experience. We noted that the board lacked sufficient experience in the banking sector and so sought for this to be prioritised in new appointments.

Also, as the sustainability agenda was becoming increasingly important for the bank, we saw this board refreshment as an important opportunity to improve board level expertise in sustainability. We requested that at least two new board directors to be appointed with these skillsets.

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Our engagement

We initially engaged on board tenure and board skills in 2019 with in-person meetings with the company secretary and the sustainability team.



In regular meetings over subsequent years, including with the company secretary and head of sustainability, we continued to request that changes to board composition be prioritised and monitored progress as the bank started implementing them.

The company engaged with us positively and openly, providing reassurance of the strength of the existing board while confirming that its medium-term intention to refresh the board and bring in new expertise.

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In late 2022, we met with the newly appointed lead independent director at our London office for a constructive meeting that demonstrated the proactive steps taken to date and his commitment to establishing robust governance going forward. Hearing that another long-tenured director was likely to step-down at the 2023 AGM, we used the opportunity to advocate for a replacement that would bring valuable banking experience as this had not yet been addressed in the recent board refreshment.

Changes at the company

Since initiating our engagement, the company has significantly refreshed the board and has brought expert sustainability knowledge and banking experience into the boardroom.

This started in 2020 when two long-standing directors stepped down and three new directors were appointed. This included two independent directors, of which one brought substantial expertise in social aspects of sustainability through her previous senior roles at the World Bank, including as director of Global Poverty and Equity.

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At the 2022 AGM, the bank appointed an independent director whose former roles included Danish minister for energy and climate and European Commissioner for climate action.

In early 2023, the bank announced the replacement of a director with a 20-year tenure with an independent director who possessed leadership experience in banking and finance, including through roles at Bank of America Merrill Lynch and Goldman Sachs.

As of mid-2023, the bank's board has now been substantially refreshed through the appointment of a new lead independent director and five new directors (of which four are independent) out of 13 non-executive directors. Average tenure has been reduced to seven years, and sustainability and operational banking expertise has improved. While one long-tenured director remains, we are satisfied improvements to board composition have been significant with material benefits for the bank's governance.



Next steps

BBVA is no-longer in EOS' active engagement programme. However, we will continue to express our views on these issues through our engagement with the company and voting recommendations in relation to the bank's AGM.



This case study has been fact-checked by BBVA to ensure a fair representation of EOS work carried out and changes made at the company.



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EOS

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Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

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