03. CORPORATE GOVERNANCE.
BANKIA’S CORPORATE GOVERNANCE MODEL IS FOUNDED ON THE GROUP’S VALUES AND IS INTENDED TO ENSURE PROFITABLE AND SUSTAINABLE BUSINESS GROWTH AND LONG-TERM VALUE CREATION.

BOARD OF DIRECTORS MEETINGS IN 2016 20

TRAINING ACTIONS FOR BOARD MEMBERS 18

BOARD ASSESSMENT ANNUAL

THE APPOINTMENTS AND REMUNERATION COMMITTEE TAKES RESPONSIBILITY FOR CSR
BANKIA’S CORPORATE GOVERNANCE SYSTEM IS FOUNDED ON GOVERNANCE BEST PRACTICES. THE MODEL IS ARTICULATED THROUGH INTERNAL RULES AND PROCEDURES THAT REGULATE BOTH THE WAY BANKIA OPERATES AS AN ORGANISATION AND THE WAY ITS PROFESSIONALS BEHAVE.

Bankia has a corporate governance system that has been approved by the Board of Directors and that is driven by the group’s corporate values in the fields of business ethics and corporate social responsibility, namely, integrity, professionalism, commitment, proximity and achievement orientation.

The model is also underpinned by the good governance principles adopted and developed by the bank in the Corporate Governance Policy approved by the Board of Directors, which itself builds on the recommendations of the CNMV’s Code of Good Governance for Listed Companies.

The system comprises a set of internal rules and procedures aimed essentially at ensuring profitable and sustainable business growth and long-term value creation, bearing in mind that the bank has a broad institutional and retail shareholder base. The rules are as follows:

- **Corporate documents.**
  These are the bylaws, which lay down the fundamental rules and principles according to which Bankia is organised and operates; the General Meeting Regulations, which govern the actions and functioning of the senior shareholder representative body; and the Board of Directors Regulations, which lay down guiding principles and basic rules of operation for the Board, in line with corporate governance best practice.

- **Corporate policies.**
  These are approved by the Board of Directors and set out the guidelines that govern the bank’s functions, activities and processes, ensuring internal control and providing legal certainty. They are general in scope and are intended to apply over the long term. The most important issues of corporate policy at Bankia are as follows:
- Structure and corporate governance of the Bankia Group. This policy establishes guidelines and general criteria for the implementation of the Group’s strategy through its different subsidiaries and governing bodies, as well as for coordination between the different companies.

- Communication and contacts with shareholders, institutional investors and proxy advisors. This policy fosters ongoing communication and dialogue with each stakeholder group, in order to build strong relationships of trust and promote transparency.

- Director selection. This policy establishes the criteria that the Board of Directors and the Appointments and Responsible Management Committee must take into account in the selection, re-election and ratification of directors. It seeks diversity of knowledge, experience and gender.

- Remuneration of directors, general managers and similar general and senior management positions.

- Selection and appointment of members of senior management. This policy takes into account the assessment procedures and related suitability requirements.

- Risk control and management. This policy deals with the treatment of the different types of risk facing the bank, the systems used to control and manage risks, the criteria for determining the acceptable levels of risk and the corrective measures available for limiting the impact of risks if they materialise.

- Investments and financing. This policy establishes the general guidelines and framework for action in these matters.

- Responsible management. This policy promotes the integration of social, environmental and corporate governance criteria in management. The aim is that management should be oriented to creating value for the different stakeholders.

- Dividends. This policy sets out the principles of shareholder remuneration, always with the aim of improving profitability and creating value sustainably.

- Treasury shares. This policy lays down the rules on transactions in the company’s own shares, in accordance with the limits and other conditions established by securities market regulations.

- Conflicts of interest. This policy describes the procedures for preventing conflicts of interest between shareholders and members of the bank’s Board of Directors.
• **Internal rules of conduct.**

Bankia also has other internal rules and procedures of conduct that comply with legal or regulatory requirements or meet good governance recommendations. They include the following:

- **Code of Ethics and Conduct.** This code states commitments and principles for the conduct of directors, senior managers and professionals of Bankia, both internally and towards stakeholders.

- **Internal Code of Conduct in the Securities Market.** This code sets out the obligations arising from the bank’s status as a listed company, addressing, among other matters, the market abuse regulations.

The conduct of business rules are further developed and supplemented by other internal provisions and procedures on matters such as the prevention of money laundering and terrorist financing, customer protection and the whistleblowing channel.
BANKIA has internal rules and procedures of conduct that comply with legal or regulatory requirements or meet good governance recommendations.
IN LINE WITH ITS STRATEGY OF CONTINUOUSLY IMPROVING CORPORATE GOVERNANCE, IN 2016 BANKIA EXTENDED THE POWERS OF THE LEAD INDEPENDENT DIRECTOR, DEVELOPED THE INFORMATION CHANNELS AND STRENGTHENED THE ROLE OF THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE.

It also passed various amendments to its bylaws and internal regulations to adapt them to the new Code of Good Governance of Listed Companies and the amendments to the Capital Companies Act (Ley de Sociedades de Capital) introduced by the Audit Act (Ley de Auditoría de Cuentas) and the Business Finance Promotion Act (Ley de Fomento de la Financiación Empresarial).

At the same time, the role of the lead director was expanded to include the following functions, besides those assigned by law:

- Chair the Board of Directors in the chairman’s absence.
- Voice the concerns of non-executive directors and organise any common positions they may adopt.
- Maintain contacts with investors and shareholders to gather their points of view.
- Coordinate the chairman’s succession plan.
- Conduct the chairman’s performance assessment.

Following the resignation of Alfredo Lafita as director and, therefore, as lead director, in March 2016, at the proposal of the then Appointments Committee (now the Appointments and Responsible Management Committee), the Board of Directors agreed to appoint Joaquín Ayuso García to the position of lead director. The appointment was approved by the supervisory bodies.
NEW RESPONSIBILITIES

In 2016 the Appointments Committee was also given responsibility for the management of corporate social responsibility policy and non-financial risks. Its new functions are as follows:

- Monitor, review and assess the Bank’s corporate social responsibility policy and practices. The committee has accordingly been renamed the Appointments and Responsible Management Committee.

- Oversee relations with the different stakeholder groups.

- Assess matters relating to social, environmental, political and reputational risks, independently of the powers assigned to the Risk Advisory Committee and other risk oversight bodies.

- Coordinate non-financial and diversity reporting, in accordance with applicable laws and regulations and international standards.

- Ensure that the Board of Directors’ decisions are not dominated by any one individual or small group of individuals against the interests of the bank.

Improvements were also made to the corporate website, both in form and in content. The changes facilitate access to information and ensure transparency, in compliance with applicable laws and regulations and the recommendations of the Good Governance Code.
THE ROLE OF THE DIRECTORS IS KEY FOR THE BANK TO FUNCTION EFFECTIVELY. BANKIA HAS ESTABLISHED THE NECESSARY MECHANISMS TO ENABLE DIRECTORS TO PERFORM THEIR DUTIES WITH INDEPENDENCE AND PROFESSIONALISM AND HAS TOOLS IN PLACE TO PREVENT CONFLICTS OF INTEREST.

RE-ELECTION

To ensure appropriate renewal of Board members, the General Meeting of Shareholders held in March 2016 renewed part of the Board, re-electing one executive director and three independent directors.

INDEPENDENCE

During 2016 the Board of Directors was made up of 11 directors, of which three were executive and eight independent. Thus, 72.73% of the Board’s members qualified as independent. This composition meets the recommendation of the Code of Good Governance of Listed Companies that at least the half the Board be made up of independent directors. This recommendation has also been expressly incorporated in the bylaws and so is now a binding rule for the bank.

Furthermore, again in accordance with the recommendations of the Good Governance Code, the lead director has been given the authority to voice and organise the concerns of the non-executive directors, so as to channel any common positions they may wish to adopt.

ASSESSMENT

In coordination with the chairs of the Audit and Compliance Committee and the Appointments and Responsible Management Committee, the chairman of the Board of Directors organises the periodic assessment of the Board’s performance, which is carried out annually by an independent expert appointed from among the most respected firms in the market.
Similarly, once a year, under the direction of the lead director, the Board of Directors assesses the performance of the chairman of the Board, based on a prior report by the Appointments and Responsible Management Committee.

Bankia also annually assesses the suitability of the directors. To do this, it considers the directors’ business and professional standing, their knowledge and experience in relation to the functions to be performed and their ability to exercise good governance of the bank. Lack of any these requirements is grounds for removal.

**TRAINING**

The bank has in place a training programme for members of the Board of Directors to enable them to deepen and fill any gaps in their knowledge on economic and social matters. The content of this programme is adapted each year, according to each director’s needs, regulatory requirements and recommendations regarding international best practices.

The subjects covered are very varied, including risks, business, asset management, legal compliance, capital calculation, corporate social responsibility and technological innovation.

**CONFLICTS OF INTEREST**

Detecting and managing potential conflicts of interest is one of the priorities of corporate governance policy. The bank has various information and decision mechanisms for doing this, most notably the following:

- Directors must notify the Board of Directors of any direct or indirect conflict they or persons related to them may have with the interests of Bankia. They must also refrain from taking part in deliberations and voting on resolutions or decisions in which they or persons related to them have a direct or indirect conflict of interest.

**PERCENTAGE OF INDEPENDENT DIRECTORS**

72.73%
• Directors must take the necessary steps to avoid situations in which their interests, whether acting on their own behalf or on behalf of others, conflict with the interests of the company and their duties to the company. They must also exercise personal responsibility in the performance of their functions, using their own judgment and acting independently of any instructions from or ties to others.

• All directors must make an initial statement of potential conflicts at the time of assuming the post. The statement must be updated immediately if the stated circumstances change or new circumstances arise.

- €100,000
  Maximum remuneration of all kinds received by non-executive directors.

- 60%
  Annual variable remuneration maximum percentage of annual fixed remuneration.

- €500,000
  Executive directors maximum amount received per annum.
Each year, the Board of Directors approves a report on directors’ remuneration and submits it to a consultative vote of the shareholders in General Meeting, as a separate item on the agenda.

REMUNERATION

Each year, the Board of Directors approves a report on directors’ remuneration and submits it to a consultative vote of the shareholders in General Meeting, as a separate item on the agenda. The report includes full, clear and comprehensible information on directors’ remuneration for the current year and, where applicable, for future periods.

At present, because the bank has received public financial support, directors’ remuneration is subject to legal limitations. For example, overall remuneration of all kinds for directors that do not perform executive functions is limited to a maximum of 100,000 euros per year. Nor do directors receive any kind of attendance fees for attending Board meetings or the meetings of Board committees.

The fixed remuneration of executive directors is not permitted to exceed 500,000 euros per year in aggregate, including remuneration received within the group, and their annual variable remuneration is not permitted to exceed 60% of that amount.

As regards variable remuneration, Bankia’s Board of Directors, following the recommendations of the Remuneration Committee, has set the bank’s objectives and gives priority to compliance with the Restructuring Plan. It has also set the parameters for adjusting the types of risk that affect its risk profile, taking into account the cost of capital and the need for liquidity.

In any case, variable remuneration requires authorisation from the Banco de España and, if authorised, will vest after three years, as required under applicable laws and regulations.

In 2016, for the first time in the last three years, the three executive directors earned variable remuneration in a total amount of 250,000 euros each. This remuneration will be paid in 2020 (60%), 2021, 2022 and 2023, half in cash and half in stock.
### Remuneration of the Boards of Directors

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<tr>
<th>NAME</th>
<th>SALARY</th>
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Figures in thousands of euros.

### Management Committee

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Figures in thousands of euros. Does not include the three executive directors.

1. In 2016 the executive directors earned a total of 250,000 euros (the set target amount), which they will receive from 2020. Of that total, 60% will be received in 2020 and the remaining 40% in 2021, 2022, and 2023. It will be paid 50% in cash and 50% in shares. These amounts are still awaiting final valuation and the authorisations and approvals required under applicable law.

2. Corresponds to remuneration in kind for 2016.

3. Includes the target amount of variable remuneration for 2016 of the four members of the Management Committee, which amounts to 725,000 euros, though still awaiting final valuation and approval.
The Appointments and Responsible Management Committee is responsible for assessing the competencies, knowledge and experience of Board members and defines the functions to be performed and the aptitudes required of the candidates for each post to be filled.

**DIRECTOR SELECTION AND SUCCESSION PLAN**

In compliance with legal requirements, the regulator’s recommendations and corporate governance best practice, Bankia has a Director Selection Policy and a Senior Management Succession Plan.

The purpose of the Director Selection Policy, which is approved by the Board of Directors at the proposal of the Appointments at Responsible Management Committee, is to ensure that the bank has a Board of Directors made up of individuals with the necessary experience, knowledge and competencies to provide professional, independent supervision.

This policy is:

a) specific and verifiable.
b) ensures that the appointment and re-election proposals are based on a prior analysis of the Board of Directors’ needs.
c) favours a diversity of knowledge, experience and gender.

The purpose of the Senior Management Succession Plan is to:

- Identify successors for the main management positions in the bank.
- Create effective development and career plans to ensure that candidates are prepared when the time comes.
- Detect succession weaknesses and establish action plans to remedy them.

Senior Management is understood to comprise:

- Chairman
- CEO
- Management Committee
- Corporate managers.

These plans are based on the following criteria:

- Structured, proactive management.
- Oriented to the organisation’s present and also future needs.
- Integrated in the functions of the Board of Directors (Appointments and Responsible Management Committee and Lead Director).
- Annual review to update the plans, assess successors’ performance, include new candidates, define additional development actions, etc.
- Career plans founded on job rotation as a means of ensuring significant learning and relevant professional experience, without excluding other types of action.
03.4 CORPORATE INTEGRITY.

BANKIA'S CORPORATE INTEGRITY PRINCIPLES ARE SET OUT IN THE CODE OF ETHICS AND CONDUCT, WHICH IS THE CENTRE PIECE OF THE FRAMEWORK FOR THE PREVENTION AND DETECTION OF MISCONDUCT. THE CONFIDENTIAL WHISTLEBLOWING CHANNEL IS ANOTHER KEY TOOL.

CODE OF ETHICS AND CONDUCT

The Bankia Group has a Code of Ethics and Conduct, which sets out rules and criteria for professional conduct that apply to and are binding on all the bank’s professionals and directors and across all the group’s activities and businesses. Enforcement of ethical standards of behaviour and corporate integrity is essential in order to preserve trust in, and respect for, the bank.

The goals of the code are as follows:

- Specify the conduct that is permitted and the conduct that is prohibited by the bank.
- Establish the ethical principles and general rules that must govern the behaviour of the group and its professionals towards one another and towards customers, shareholders, suppliers and all the individuals and institutions with which the group, directly or indirectly, has relations.

The code revolves around various themes:

- **Ethical principles and values.** Commitment, integrity, professionalism, proximity and achievement orientation.
- **Corporate ethics.** The code establishes the values that should guide the group’s relations with its professionals, customers, suppliers and society at large. In particular, it is intended to prevent institutional conflicts of interest by erecting barriers that will stop non-public information on its investment decisions and other activities from being used abusively or unlawfully.
- **Ethics and integrity in the markets.** Various procedures and controls have been designed and implemented to ensure
compliance with international standards in this area. In particular, policies have been put in place to prevent market manipulation and misuse of inside information and to foster free market competition and transparency. Policies have also been developed to prevent corruption crimes. Bankia has various control mechanisms for this purpose and has training plans for managers and other professionals. There are also various specific recommendations to prevent corruption in supplier selection, incentives and credit risk.

- **Personal ethics.**
  Accepting gifts, presents, money or commissions of any kind for operations carried out by Bankia and influencing matters in which there are actual or potential conflicts of interest is expressly prohibited.

The group’s professionals have an obligation to know, comply with and help to enforce the Code of Ethics and Conduct. This includes the obligation to report any evidence or proof of infringement through the channels made available for that purpose.

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### CONFIDENTIAL WHISTLEBLOWING CHANNEL

To facilitate enforcement of the code and internal reporting, the Audit and Compliance Committee approved the establishment of a confidential whistleblowing channel, which allows employees to notify any misconduct through a special online platform or by email.

The channel has its own regulations, approved by the Audit and Compliance Committee, which establish mechanisms for the receipt, filtering, classification and resolution of reports in accordance with Spanish Data Protection Agency standards.

The channel is managed by a specialised external company (currently PwC), under the oversight of the Ethics and Conduct Committee, which is responsible for ensuring that all reports received are assessed independently and that the information is shared only with persons whose collaboration is strictly necessary to research and resolve the matter. The reporting procedure is completely confidential and the anonymity of the whistleblower is guaranteed, except for the persons directly involved in responding to the report and checking the facts.
Both the Code of Ethics and Conduct and the Confidential Whistleblowing Channel are available on Bankia’s corporate website and the employee intranet.

The Labour Relations Directorate is responsible for any disciplinary action to be taken against employees who infringe the Code of Ethics and Conduct. This is done in close collaboration with the Internal Audit Directorate and the People Management Directorate.

It is also responsible for managing Bankia’s Confidential Whistleblowing Channel, which provides a special online platform and a specific email address for reporting wrongdoing. In 2016 a total of six reports/inquiries were received. All of them were handled internally (they were referred to the Ethics and Conduct Committee, which passed them on to the appropriate administrative units) and in none of them was any infringement of the Code of Ethics and Conduct detected.

In 2017 the Labour Relations Directorate is responsible for taking whatever action is necessary to ensure compliance with the Ethics Code. For that purpose, it will submit proposals to the Ethics and Conduct Committee for preventive measures to build awareness among employees and prevent any behaviour that could entail an infringement of the Code of Ethics and Conduct.

Employees must know and follow the Code of Ethics and Conduct.

Reports received via the Whistleblowing Channel since it was created.

Meetings of the Ethics and Conduct Committee.
In the last year, six reports or inquiries were received via the Confidential Whistleblowing Channel. After internal analysis, it was found that in none of the cases was there any violation of the Code of Ethics and Conduct.

### TYPES OF REPORTS OF MISCONDUCT RECEIVED

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<td>Irregular conduct with suppliers</td>
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<tr>
<td>Misappropriation or syphoning off of resources</td>
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<td>Accounting and auditing aspects</td>
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<td>Confidentiality or use of insider information</td>
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<tr>
<td>Conflicts of interest</td>
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<tr>
<td>Question/Suggestion</td>
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<tr>
<td>Falsification of contracts, reports or records</td>
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<td>Infringements regarding securities or equities trading</td>
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<td>Environmental protection</td>
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<td>Total reports of misconduct submitted</td>
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03.5
INTERNAL CONTROL AND COMPLIANCE.

THE GROWING COMPLEXITY OF REGULATORY AND SUPERVISORY RULES HAS MADE INTERNAL CONTROL AND COMPLIANCE ACTIVITIES INCREASINGLY IMPORTANT. BANKIA HAS AN EFFECTIVE ORGANISATION TO ENSURE RESPECT FOR THE RULES THAT REGULATE ITS ACTIONS.

CRIMINAL RISK PREVENTION

Bankia’s criminal risk prevention model, which was updated with the Board of Directors’ approval in 2016, identifies the activities in which criminal offences may be committed and must be prevented and the necessary protocols and procedures to avoid any behaviour that could give rise to criminal liability. The model requires the implementation of controls (some general, others more specific, assigned to previously appointed officers) and adopts the rules of conduct contained in the bank’s Code of Ethics and Conduct.

The measures specified by the model include awareness building among senior managers, directors, employees, legal counsel and representatives regarding the importance of compliance with the controls and standards.

In 2016 the directors, the crime prevention officers and the individuals responsible for the implementation and enforcement of the established controls received classroom training on this subject. In 2017 the programme will be extended to all staff, as a continuation of the training already received in 2015.

The area responsible for crime prevention in the bank, by appointment of the Board of Directors, is the Regulatory Compliance Directorate, which must verify and supervise the measures and procedures put in place to palliate the risk of crimes that could give rise to criminal liability for the company.
The Bankia Group collaborates actively with the institutions responsible for supervising and controlling compliance with the Spanish laws and regulations designed to prevent the laundering of the proceeds of criminal activities and the financing of terrorism, which faithfully reflect the EU directives on this matter. For this purpose, Bankia has established mandatory rules and procedures to:

- Ensure compliance with applicable AML/CFT laws and regulations and the recommendations of the national and international authorities.

- Implement the necessary rules of conduct and control and reporting systems to prevent the bank from being used to launder money.

- Establish appropriate customer acceptance and know-your-customer policies, ensuring that all employees are aware of and adhere to them.

The group has general AML/CFT policies that are binding on all its companies, employees and outside contractors. These policies are under continuous review in order to adapt them to changes in the law. To ensure compliance, each subsidiary and unit with significant exposure to money laundering risk has its own AML officer and a specific AML/CFT policies and procedures manual.

Bankia has the necessary systems and controls in place to segment customers, products and transactions appropriately according to their risk profile, detect suspicious transactions and properly identify, accept and know its customers. As required by law, the bank’s AML/CFT procedures are audited annually by an independent expert to detect any incidents and, where necessary, propose improvements. The results of the audit are reported to the Board of Directors.
The bank is aware that the best form of prevention is employee information and awareness and so gives special importance to training, which is organised through the bank’s annual training plans. In 2016, 10,502 employees of the group received AML/CFT training.

which is a not-for-profit professional association of advertisers that advocates ethics, responsibility and efficiency in companies’ communication and dialogue with society and defends freedom of competition and communication.

COMMUNICATION AND ADVERTISING

Bankia is firmly committed to compliance with and application of the principles and standards for advertising by banks. Accordingly, all commercial communications issued by the bank respect the values of truthfulness, objectivity, fairness and honesty.

The commitment to respect the abovementioned values is reflected in:

1. The existence of a Policy on Commercial Communications with Customers, approved by the Board of Directors, which sets out the criteria and rules that must be followed in creating and launching the bank’s advertising.

2. Bankia’s membership of Autocontrol, an independent association for advertising self-regulation, and the Asociación Española de Anunciantes, which is a not-for-profit professional association of advertisers that advocates ethics, responsibility and efficiency in companies’ communication and dialogue with society and defends freedom of competition and communication.

INTERNAL CONTROL

The Corporate Internal Audit Directorate is responsible for supervising and evaluating the effectiveness of the bank’s corporate governance, risk management, internal control and information systems and verifying compliance with internal and external standards.

The directorate must report periodically to the Audit and Compliance Committee and to the bank’s senior management on the implementation and results of the Annual Audit Plan and the audit recommendations and their degree of implementation. This reporting obligation is met by submitting the Audit Follow-Up Report at quarterly intervals to the Audit and Compliance Committee and the Management Committee.

The Internal Audit function covers all the activities carried out in the group and has unlimited access to the information it needs for the performance its tasks and to all the bank’s facilities. In carrying out its work it may communicate with and gather information from any senior manager or employee of the
bank. The Corporate Internal Audit Directorate is also an active member of various committees that control the Group’s activity, including the Regulatory Compliance Committee, the Ethics and Conduct Committee, the Operational Risk Committee and the Regulatory Monitoring Committee. In addition, it attends meetings of the Anti-Money Laundering Committee and the Provisioning Committee, with the right to speak but not to vote.

Internal Audit is responsible for seven processes, which describe the activity it carries out:

- Preparation of the Audit Plan.
- Execution of business centre audits.
- Execution of process, centre and system audits.
- Follow-up of recommendations.
- Audit system development.
- Internal audit communication and reporting.
- Collaboration with and coordination of external audit.

The tax principles governing Bankia’s activity are as follows:

- **Transparency.**
  Bankia adheres to a transparent policy on tax management and the payment of its taxes, thus complying with regulatory requirements regarding access to the activity of credit institutions and prudential supervision.

- **Compliance with obligations.**
  Bankia applies at all times the tax regulations applicable in Spain, which is the tax jurisdiction in which all its activity takes place, as well as the pertinent international guidelines and standards, such as the guidelines and action plans of the Organisation for Economic Co-operation and Development (OECD). Bankia files all the tax returns required by tax regulations, settles its tax liabilities and pays its tax debts in Spain in a timely manner.

- **Risk exposure.**
  When analysing transactions involving special tax risk, Bankia takes into account their short and long-term impact on the bank’s reputation, its shareholders and customers, its relationship with governments and tax authorities and other areas of the organisation.
Actions in the following areas require Board approval:

- **Transactions between related parties.**
  All related-party transactions are carried out at arm’s length.

- **Tax havens.**
  Bankia does not operate in tax havens for tax avoidance purposes.

- **Structures.**
  Bankia does not use artificial tax avoidance structures or structures that do not comply with the spirit of Spanish or international regulations.

- **Divestitures of companies.**
  Bankia analyses the tax implications of the divestitures in which it is engaged very carefully in order to clarify any kind of tax risk.

- **Use of tax incentives.**
  Tax incentives are used in accordance with regulations.

- **Relationship with authorities and governments.**
  The bank uses transparent and ethical channels of communication with the tax authorities and other institutions and public bodies. Relations are governed at all times by the principles of transparency, mutual trust, good faith and loyalty between the parties.

- **External tax advisers.**
  Bankia only ever hires the services of reputable independent experts, never of individuals or firms whose integrity is in doubt.

- **Products marketed.**
  All Bankia’s products comply with applicable tax regulations. The tax information provided to customers is transparent.

As an expression of Bankia’s firm intention to collaborate with public agencies, the bank is an active participant in the Large Businesses Forum, aimed at promoting a more cooperative relationship between Spanish companies and the tax authorities. The Forum advocates a tax policy based on the principles of transparency and mutual trust, through the pooling of knowledge and the sharing of any general problems that may arise in putting the tax system into effect.

Furthermore, in March 2016 the Board of Directors of Bankia agreed that the bank should become a member of the Code of Best Tax Practices (CBTP) of the Spanish Tax Agency (Agencia Tributaria). This code contains recommendations – which are followed voluntarily by the Tax Agency and member companies – aimed at improving the application of the tax system through increased legal certainty, reciprocal cooperation between the Tax Agency and companies based on good faith and legitimate trust, and the application of responsible tax policies in companies, with the knowledge of the Board of Directors.

The group considers that proper tax management gives it greater legal certainty in tax matters, which benefits its earnings. Looking to 2017, Bankia, as a CBTP member company, intends to prepare an Annual Tax
BANKIA considers that proper tax management gives it greater legal certainty in tax matters, which benefits its earnings.

Transparency Report. This report will include information on certain aspects of the bank’s economic activity and funding structure, an explanation of the most significant corporate transactions, details of the group tax strategy approved by the governing bodies and a list of transactions referred to the Board of Directors. It will also establish the extent to which the bank’s tax policy is consistent with the principles of the OECD’s BEPS package, which is intended to fight tax fraud, erosion of tax bases and the shifting of profits to low-tax jurisdictions.

In collaborating with the Tax Agency to enhance tax transparency, the bank aims to foster early knowledge of tax policy and facilitate tax risk management. All this will lead to increased legal certainty, lower compliance costs and fewer disputes with the Tax Agency, besides enhancing the Group’s reputation.

EMPLOYEES WHO RECEIVED TRAINING IN CRIMINAL RISK PREVENTION IN 2016

160

EMPLOYEES WHO RECEIVED TRAINING IN DATA SECURITY AWARENESS IN 2016

194
INFORMATION SYSTEMS

The Bankia Group is currently implementing an Information Governance model. This is a far-reaching, enterprise-wide transformation project encompassing all corporate information in the regulatory, analytical, commercial and risks areas. The aim is to move towards a model that is in line with best market standards and compliant with the risk data aggregation (RDA) requirements introduced by the Basel Committee on Banking Supervision.

The project comprises three lines of action:

• Organise information through a single data repository and a common data dictionary.

• Optimise data provisioning and ensure consistency and flexibility in data use.

• Implement an information quality governance and control model throughout the data life cycle, with the creation of the role of Chief Data Officer.

In 2016 progress was made in the following aspects of the project:

• Completion of the inventory of the various statements and reports required for regulatory and analytical purposes, with the aim of identifying and supplying the set of dimensions and metrics needed to construct those statements and reports through the Corporate Data Repository, introducing the first Finrep reports (consolidated financial reporting) into the repository.

• Start of work on the creation of a Single Glossary of Terms, which will give data users a single definition of the various business concepts, including the dimensions and metrics relating to the financial statements.

• Conceptual definition of the dashboard model that will be used to monitor information quality and perform preliminary analyses on the Corporate Data Repository.

• Start of implementation of the governance model that will allow any type of information request to be handled efficiently and transparently from source to final response.
Bankia has adopted a set of measures to ensure appropriate application of data protection principles and protection of customers’ rights in this regard. The rules include instructions and provisions concerning the information that must be provided when collecting data, the duty of secrecy and custody of data, the need to obtain consent for data processing, and the exercise of the rights of access, rectification and cancellation.

Information is one of Bankia’s most important assets and protecting it is one of the priorities of the Cyber Security Transformation Plan launched in 2016 and backed by the Cyber Security Committee. The plan establishes that the persons who process Bankia’s information must meet certain objectives in 2016, 2017 and 2018. The bank also has a legal and ethical duty to protect information concerning its customers, collaborating institutions and the competent official bodies on the same terms.

As a financial institution at the service of the society that demands its services, Bankia directly assumes a very substantial part of the responsibility for ensuring comprehensive security. It has therefore marked out two broad areas of application:

- **Information security.** Bankia protects the information it needs in order to achieve its business objectives by applying its body of information security regulations, which are binding on all those who process the bank’s information.

- **Security for business continuity.** The bank’s policy, approved by the Board of Directors in 2016, establishes the bank’s capacity to respond to interruptions and incidents that affect business processes. The aim is to inspire confidence in customers and comply with legal and regulatory requirements. Last year the bank also approved the governance model for business continuity. The goals for 2017 are to disseminate the new policy to a wider audience and carry out a training plan that will facilitate implementation of the governance model.