2017 Performance Evaluation Guidelines

The formal annual performance evaluation process provides an opportunity to look back at the prior year, assess progress toward individual, departmental and company goals, and document performance. It is also the time to look ahead to the next appraisal period.

This document provides the information you will need as a manager to make fair, consistent performance evaluation and salary decisions for your team members. Topics covered are:

An Overview of the Performance Evaluation Ratings
Effective Performance Appraisals
Key Dates

The performance evaluation serves as the basis for:
• Measuring past performance
• Setting goals for future performance and improved productivity
• Compensation. (Note: A positive performance rating does not guarantee a salary increase, nor does a salary increase necessarily coincide with a performance evaluation.)
• Career Development
• Maximizing the potential of the employee
• Attaining the highest possible level of professionalism and profitability for BBVA Compass

For the majority of employees, base salary represents the most significant part of their cash compensation. As such, it provides the primary means of differentiating based on the performance of your employees. Ideally, the level of your employees' base salaries will be aligned with their contributions over time – that is, the employee who contributes the most has the highest base salary; the employee ranked second has the second highest, down to the lowest contributor. In most instances, however, salaries will not be aligned with contributions and you usually will not be able to perfectly align pay levels within the course of a single year. In order to correct this, your best performers should receive considerably larger base salary increases in comparison to the increases for lower performers. Over time, this differentiation will help move the salaries of your best contributors toward the top of their pay range while the base salaries of consistently proficient (but not exceptional) performers will move toward the middle of the pay range. The pay levels of employees new to their position/job grade or employees who are consistently low performers should be in the lower part of the salary range.

Performance Evaluation Ratings

As in previous years, the 2017 Performance Evaluation process will utilize six ratings. The evaluation form, which is included in NETprofile Manager, provides managers a streamlined and quick review process. A copy of the Performance Evaluation Form is available on the Administration & Compensation page of the You&BBVA Portal.
The chart below indicates the recommended distribution of performance ratings.

<table>
<thead>
<tr>
<th><em>Summary Rating</em> (Automatically calculated based on average of individual ratings for each factor)</th>
<th>Expected percentage of employees</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional</td>
<td>5%</td>
<td>Exceptional performance and added value</td>
</tr>
<tr>
<td>Excellent</td>
<td>5-10%</td>
<td>Significantly above what is expected for the position</td>
</tr>
<tr>
<td>Good</td>
<td>30-35%</td>
<td>Above what is expected for the position</td>
</tr>
<tr>
<td>Expected</td>
<td>35-45%</td>
<td>In line with what is expected for the position</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>5-10%</td>
<td>Below expectations for the position</td>
</tr>
<tr>
<td>Poor</td>
<td>&lt;5%</td>
<td>Significantly below expectations for the position</td>
</tr>
</tbody>
</table>

*No summary rating carries a guarantee of a salary increase, even if the employee meets or exceeds expectations. However, employees rated as “Below Expectations” or “Poor” are not eligible for a merit increase.*

NOTE: Current-year new hires should not receive a performance evaluation.

The performance evaluation is based on four or five factors: Performance Effectiveness, Commitment, Teamwork, Client Experience and Leadership (managers only). Managers will use the six ratings to evaluate and rate employees on each factor. The overall summary rating for the employee will be automatically calculated as an average of each of the individual ratings.

Performance Effectiveness – The employee’s ability to channel his/her own efforts to the fulfillment of objectives and to consistently achieve the goals set. Efficiently organizes and distributes tasks. Is proactive in managing challenging situations.

Commitment – The ability and willingness to align his/her interests and actions toward corporate needs, priorities and objectives. Professional commitment toward the job, the company as a whole and its corporate values.

Teamwork – The ability to collaborate and coordinate his/her efforts with others. Maintains appropriate attitude in trying to understand and to satisfy his/her team members’ needs and expectations.

Client Experience – The employee’s level of commitment for delivering a positive, helpful interaction with both external and internal clients.

Leadership (only for individuals with staff under their supervision) – The ability to efficiently coordinate and organize the work of others. Encourages others to acquire new knowledge
and skills for their professional development. Has the credibility and commands the respect of others to follow his/her directions.

With the exception of current year new hires, managers will complete employee’s performance evaluations using NETprofile Manager for all employees whether they are recommended for a salary change this year or not. **There should be no communication at this point from managers to employees with regards to their performance evaluation and merit increase.** Talent & Culture will then review the recommendations with each Executive Officer and work with managers on any necessary changes. Once the manager’s recommendations have been approved by Talent & Culture, they can communicate the results to their employees. A hard copy of the evaluation should be provided to the employee and one kept for your own records once all approvals have been completed and the evaluation is released for discussion.

**Please note: Managers should not take into account an employee’s progress on their Competencies Development Process on the performance evaluation.**

See “**Key Dates**” (pg. 5-6) for a timeline of the Performance Evaluation Merit Increase process.

**Employee Self-Evaluations**

If the managers would like for their employees to complete a self-evaluation as a part of the performance evaluation process, employees should do this in writing, separately from the performance evaluation form. The employees should structure their self-evaluations based on the performance evaluation system and the performance ratings using the Employee Self-Evaluation form on the Administration & Compensation page of the You&BBVA Portal.

**Why ask your employee(s) to complete a self-evaluation?**

A self-evaluation provides an opportunity for the performance evaluation process to be a two-way conversation rather than a lecture or summary of the manager’s evaluation. Performance evaluations that are simply the manager evaluating his/her direct reports may lead to resentment or misunderstandings. Employees may feel talked down to or not listened to. Self-evaluations provide an opportunity for the employee to express his or her point of view and gives the manager and employee a chance to be in agreement about performance goals and objectives for the future.

A self-evaluation also gives employees the chance to talk about their accomplishments during the past year. Since managers can’t be everywhere at once, the employee might highlight achievements the manager was not aware of or may have forgotten.

Giving employees a chance to have a say makes the performance evaluation process fairer. A sense of fairness can help retain satisfied employees. Employees can speak up about workplace issues that might be affecting them or bring up ways to improve work processes.
Not having a say in a process that determines whether you receive a raise or not can lower employee morale and satisfaction.

A difficult part of performance evaluations is reviewing what aspects of an employee’s performance needs to improve. An honest self-evaluation can ease some of the stress of those conversations as the employee may bring up performance issues and how to improve them. This can help keep an evaluation from becoming confrontational.

**Effective Performance Appraisals**

If the manager has done an effective job of coaching throughout the year, there should be no surprises in the formal evaluation. Following are some suggestions when planning the evaluation session with the employee:

- **Set the proper climate.** Arrange for a mutually agreeable time and meet in a private place where there will be no interruptions. Allow enough time to discuss the employee’s concerns or suggestions. Encourage the employee to prepare for the session by thinking about goals and plans for the new year. The atmosphere should be positive and friendly.
- **Prepare in advance.** Look over the “critical events” notes as well as other documents collected during the year (such as memos of commendation or documentation of corrective action). In filling out the rating form or recording the information in another written format, determine whether the goals were met, identifying reasons for those that were not. Identify areas of outstanding performance as well as those needing improvement. If appropriate, seek input from other managers who have had a great deal of contact with the employee.
- **Maintain a positive, open atmosphere.** Seek to put the employee at ease by maintaining a friendly demeanor. If possible, sit next to the employee, rather than behind a desk. Review the goals for the previous year and encourage the employee to discuss reasons they were or were not met. Discuss accomplishments and seek to build on positives.
- **Discuss problems frankly, but positively.** Discuss ways to improve in weak areas during the coming year, focusing on specific behaviors. Avoid addressing vague matters such as attitude. Instead, concentrate on matters that can be evaluated objectively. Never attack the employee as a person.
- **Agree on goals.** Employees who are closely involved in the setting of goals are more likely to accept personal responsibility for achieving them. Put them in writing on the form or in another suitable format.
- **Provide the employee an opportunity to write comments.** Ask the employee to sign the evaluation. Managers should keep the signed copy for their records.

Detailed below are several common mistakes that can occur during the performance evaluation process. It is important that managers are aware of them and conduct the performance evaluation process in a manner that will avoid any mistakes.

**Recency Effect** – Allowing minor events that have happened recently to have more influence on the rating than major events of many months ago.
Halo/Horns Effect – Generalizing one aspect of an individual’s performance to all areas of that person’s performance.

Past Performance Error – Permitting an individual’s poor (or excellent) performance in a previous rating period to influence one’s judgment about the employee’s performance in this rating period.

Central Tendency – Rating employees in the middle of the scale when their performance clearly warrants a higher or lower rating.

Negative or Positive Skew – Rating employees much higher or lower than their performance warrants.

Key Dates

March 3-20
- Managers should submit their performance review and merit increase recommendations for all direct reports using NETprofile Manager.
- Please note: In this early stage of the process, there SHOULD NOT be any communication with team members about their performance review and/or merit increase recommendations.

March 21-22
- Talent & Culture will review the recommendations managers submitted in NETprofile Manager and discuss any necessary adjustments with managers.
- The Compensation department will produce reports for performance evaluation and salary increase results and provide them to the Management Committee and Talent & Culture Business Partners.

March 23-24
- Business units make merit adjustments as appropriate.

March 26
- Merit increases become effective for all team members.

March 27-28
- Talent & Culture prepares final performance and merit file for upload to HRIS system.

March 29-30
- Talent & Culture uploads final performance and merit file to HRIS system.

March 27-April 6
- Managers discuss completed individual performance reviews with their team members and share the approved merit increase they will receive.
April 7

- Team members will see merit increases reflected on their pay statements.

All merit increases must be input and submitted in NETprofile Manager by 5 p.m. CST on March 20. All increases will be reviewed by Talent & Culture for final approval before processing.

Talent & Culture will notify managers through their Strategic Talent Partners of any necessary adjustments to increases submitted by cost center managers from March 21-22.